Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NIS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y500	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sweden SKr9.00
Denmark DKr9.00	Kuwait Fils500	Switzerland SFr2.20
Egypt E£2.25	Lebanon L£125.00	Taiwan NT$65
Finland Fmk7.00	Luxembourg LFr48	Thailand Bt50
France FFr6.50	Malaysia Rlt4.25	Tunisia Din0.800
Germany DM2.20	Mexico Pes300	Turkey L500
Greece Dr100	Morocco Dh6.00	UAE Dh6.50
Hong Kong HK$12	Netherlands Fl3.00	USA $1.00
India Rup15	Norway Nkr8.00	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,361 — Tuesday October 13 1987 — D 8523 A

EC: Still very much an uncommon market, Page 24

World News

Aquino hint on martial law as strike continues

Phillipines police in Manila fired shots to disperse strikers while President Corazon Aquino hinted she could declare martial law in the Philippines.

Unions warned they would continue the strike for a pay claim throughout the week as several thousand demonstrators marched through the capital. Page 9

EC threat

Claude Cheysson, EC External Relations Commissioner, ended a three-day visit to Israel without reaching any agreement with the Government on direct agricultural exports from the occupied territories to the EC. Page 9

Gulf claim

President Saddam Hussein of Iraq claimed that Iran was too weak to open a new front as Iraqi jet fighters fired an Exocet missile into a Panamanian-registered tanker, setting it ablaze and killing two of its crew members. Page 8

Saudis in US talks

Saudi Arabia is talking with three US oil majors with tentative offers to buy minority stakes of up to 49 per cent in their oil refining and marketing operations in West Europe, according to industry executives and analysts. Page 26

Mulroney backing

Mr Brian Mulroney, the Canadian Prime Minister, emphasised that he would back the African countries in their demand for more effective economic measures against Pretoria. Earlier story, Page 7

Kaunda warns

President Kaunda of Zambia said African front-line states would demand more comprehensive economic sanctions against South Africa at the Commonwealth Heads of Government meeting in Vancouver. Page 9

Canada strike

The two-week-old campaign of strikes by members of the 23,000-strong Canadian Union of Postal Workers intensified following the Government's introduction of a bill to force them back to work. Page 4

Nobel winner

Susumu Tonegawa of Japan won the Nobel Prize in medicine for his discoveries explaining the structure of the body's immune defence system.

GM workers win

US car workers have been successful in winning job guarantees from General Motors without major productivity deals, according to a new three-year contract between GM and the United Auto Workers. Page 4

Koivisto to run again

Finland's President Mauno Koivisto said officially that he would run for a second six-year term in January.

West Bank clashes

A Palestinian woman was killed and five people wounded by Israeli troops as Arab-Israeli clashes that began at the weekend in Jerusalem and the Gaza Strip spread to the Israeli-occupied West Bank. Page 9

Norway crackdown

Norway said it would more than double the number of police fighting insider trading and other white-collar crime. Page 3

Italians kidnapped

An Iraqi Kurdish group said it had kidnapped three Italian engineers in northern Iraq and demanded the withdrawal of Italian ships from the Gulf. Page 8

Pakistan bomb

A bomb exploded in Peshawar's main bus station wounding 13 people. Transport officials said the bomb, planted in a ladies' waiting room, also damaged 33 buses.

Business Summary

La Chapelle Darblay salvage plan studied

FRENCH GOVERNMENT is studying salvage proposals for La Chapelle-Darblay, France's leading manufacturer of newsprint, which is threatened with bankruptcy. Page 28

BBC BROWN Boveri of Switzerland and fellow electrical engineering group Asea of Sweden were given Swedish government approval to merge, thereby clearing the way for the creation of the world's biggest electrical engineering concern.

GOLD rose $0.75 on the London bullion market to $462.00. In Zurich it rose $1.00 to $462.00. Page 38

DOLLAR fell in London to DM1.8130 (DM1.8135); to SFr1.5025 (SFr1.5080); and to Y143.25 (Y143.80); and remained unchanged at FFr6.0425. On Bank of England figures the dollar's exchange rate index fell 0.2 to 100.7. Page 39

STERLING rose in London to $1.6535 ($1.6510); to DM2.9975 (DM2.9950); to FFr9.9925 (FFr9.9750); but fell to SFr2.4850 (SFr2.49); and to Y236.75 (Y237.50). The pound's exchange rate index rose 0.1 to 73.4. Page 39

WALL STREET: The Dow Jones industrial average closed down 10.77 at 2,471.44. Page 50

LONDON: Disappointing results from Glaxo, an institutional favourite, knocked an equity market already shaken by last week's slide on Wall Street. The FT-SE 100 index closed down 28.3 at 2,338.5 and the FT Ordinary index fell 23.0 to 1,835.2. Details Page 46

TOKYO: Concern over precariously high prices and hesitancy ahead of the release of US trade figures tomorrow took share prices slightly lower. The Nikkei average closed down 54.12 at 26,284.65. Page 48

ADVANCED MICRO Devices, fifth largest US semiconductor manufacturer, reported a $53.8m loss for its second fiscal quarter ending September 28, including a $40.9m charge due to its acquisition of Monolithic Memories during the quarter. Page 27

GLAXO HOLDINGS, UK's largest pharmaceuticals company, saw its shares plunge by nearly 10 per cent after the company announced disappointing results for 1986-87, knocking more than £1.25bn ($2bn) from its market capitalisation and helping to drag the FT-SE 100 index down by 28 points over the day. Page 27

HAFNIA, Danish insurance and banking group which is listed on the London Stock Exchange, has reported higher profits for the first half of 1987 and forecast an increased result for the year as a whole. Page 28

WESTINGHOUSE, diversified US heavy electrical equipment maker, reported an 8.7 per cent increase in net income, to $184.1m, for the third quarter to September, on a small increase in sales revenues to $2.59bn. Page 27

RAND MINES group of South Africa saw lower taxed profits in the September quarter for the four gold mines it manages, because of higher wage bills for black and white employees and generally lower gold recovery grades. Page 28

CONSOLIDATED Modderfontein and South Roodepoort, the two gold mines managed by the Golden Dumps group said higher milling rates helped control unit costs for the third quarter. Page 28

UK GOVERNMENT hopes of a further fall in the inflation rate over the next few months received a boost with official figures showing that manufacturing companies are holding down the pace of increase in factory gate prices. Page 11

BODDINGTON, one of Britain's oldest breweries, has received a takeover approach from Midsummer Leisure, a fast-growing UK operator of public houses, discotheques and snooker clubs. Page 11

Death mask haunts a country stung by scandal

BY DAVID MARSH IN BONN

THE LATEST edition of the West German news magazine Der Spiegel went on sale yesterday with a death mask on the front cover. Topped by the caption "Prison for Dr Uwe Barschel?" the haggard face of Schleswig Holstein's former Prime Minister stared out with angry, hollow, hopeless eyes.

Mr Barschel, 43, was found dead in a Geneva hotel room on Sunday after the magazine, which brought about his resignation last month with allegations that he had organised a "dirty tricks" campaign, went to print.

Yesterday the Kiel state government said that he probably died of heart failure.

The statement, contrasting with earlier reports that he had committed suicide, appeared to strengthen the firmly-held belief of his family that he was determined to prove his innocence of launching an electoral smear campaign.

The Interior Ministry in Kiel said a full report on causes of death would have to await an autopsy being carried out by Geneva police. Details are due to be released later in the week.

Now Mr Barschel's features and the scandal accompanying his name in West Germany's northernmost state are haunting the country.

Mr Barschel was one of the young rising stars of Chancellor Helmut Kohl's governing Christian Democratic Union: state premier in Kiel since 1982, when he took over the job from Mr Gerhard Stoltenberg who is now Finance Minister in Bonn.

He was an example of a new post-war German political breed. Although a lawyer, his true profession - from the day he entered the CDU youth organisation at 16 - was politics.

It is now clear that the star was rising far too fast - and the tragic manner of his fall has cast a cloud, not only over his integrity, but also over the entire political system which fostered his ascent.

In retrospect it appears questionable that Mr Barschel, after surviving a serious aircraft accident in May, threw himself into the campaign for the state elections last month with his health under strain.

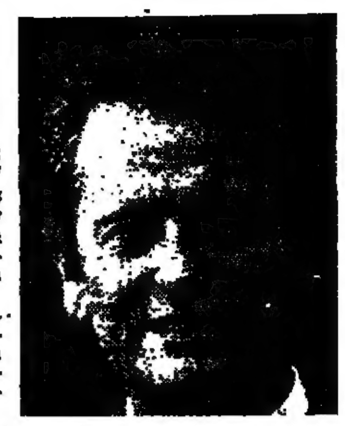
With his death chances may have disappeared of clearing up the full story of who was behind a smear campaign against a rival candidate in the state poll.

What is certain, however, is that the "Barschel scandal" marks a watershed. It comes as the climax of a string of murky affairs which have cast doubt on the ethical standards of politicians of both left and right in recent years.

Because of the need to underpin a young democracy its politicians have always been judged by higher moral standards than those ruling, for example, in France or Italy.

The importance of the suspicions levelled against Mr Bar-

Continued on Page 26



Uwe Barschel: health was under strain

Salomon orders deep retrenchment in trading operations

BY JAMES BUCHAN IN NEW YORK

SALOMON BROTHERS, Wall Street's largest and most powerful investment firm, yesterday ordered painful cuts in its trading operations in an attempt to restore management's grip on its sprawling business and muddled strategic direction.

The announcement, which caps a weekend of feverish discussion at Wall Street's pre-eminent trading house, is the most ambitious effort yet by a securities firm to come to terms with the severe management challenge thrown down by the industry's five years of rapid growth.

In a bleak confirmation of its problems, Salomon said that the parent group was only "marginally" profitable in the third quarter to September, after earnings collapsed from $117m to $40m in the June quarter.

Last month, Salomon emerged as vulnerable to takeover when Mr Ronald Perelman, the highly aggressive corporate raider, sought unsuccessfully to build a holding in the parent company's stock.

In its bid to refocus the $6bn-a-year securities firm, which increased its staff count by 40 per cent last year, the parent group announced:

● retreat from trading in such highly competitive areas as municipal bonds, commercial paper and short-term bank liabilities;

● 12 per cent reduction in the firm's 6,500 staff to help cut its swollen overhead by $150m a year;

● re-examination of the [illegible] plan for a grandiose $1.5bn headquarters on New York's Central Park as part of a review of all space requirements;

● $60-70m write-off from the firm's net worth in the fourth quarter.

Mr John Gutfreund, chairman of the parent company, said there was "a clear management consensus concerning our tactical priorities and the proper future deployment of our assets." Salomon Brothers would concentrate on the "historical basis of the firm's strength" - government and corporate bonds and mortgage-backed securities. He added that the firm would continue to develop innovative investment securities - derivative instruments.

But Salomon will phase out the three fixed-income businesses, including the large municipal bond operation, which are relatively unprofitable because of competition from commercial banks. Salomon is believed to have lost up to $100m on its book of municipal bonds when interest rates rose sharply in the second quarter.

Salomon also intends to emphasise "advisory, high margin, corporate finance businesses," including "merchant banking" - Wall Street's term for the risky but highly rewarded corporate finance deals that use a firm's own capital.

Its shares, which were trading at more than $60 last year, closed up $1⅛ at $34⅞.

Lex, Page 26; tremors on Wall St, Page 27; Markets, Page 50

Chemical to cut UK staff by 170

CHEMICAL BANK, the fourth largest bank in the US, is to cut 170 people from its UK staff of 360 and reduce its presence in the Euromarkets, writes David Lascelles in London.

The changes result from a major review initiated by Chemical last month to reduce its payroll by 10 per cent and sell off certain businesses.

Chemical will cease to be an active participant in the new issues business in the Euromarkets, but will continue as a trader in the secondary markets and will underwrite issues when requested. Certain parts of its banking business are also being disbanded.

Details, Page 31

US lifts freeze on $292m Libyan assets in London

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN LONDON

THE US Government has released nearly $300m of Libyan funds frozen in the London branch of a New York bank since January last year by President Ronald Reagan's anti-terrorism sanctions.

The Treasury Department in Washington has issued a licence enabling Bankers Trust Company to pay out $292m to Libyan Arab Foreign Bank, which is owned by the Libyan central bank.

The decision by the US to free the funds came as a surprise to both banks. It follows a London High Court ruling last month that the money, deposited by the Libyan bank in London, was governed by English law and was not within the extra-territorial grasp of the US.

Mr Graeme Brister of Linklaters & Paines, Bankers Trust's London solicitors, said yesterday that the bank had been advised by telephone late on Friday that a licence was to be granted. It received the licence at about 10.30 that evening and immediately transferred the $292m to the Libyans.

"The bank was pleased to have received the licence and to have been able to repay its customer and therefore avoid further litigation," Mr Brister said.

With interest, the total transferred amounted to just over $320m.

Last Monday, Bankers Trust was granted a stay of execution of the High Court order pending appeal. It had been expected - not least by Bankers Trust and its lawyers - that the case would eventually go to the Law Lords.

The US Treasury was not expected to issue a licence in respect of the $292m while there was still a possibility of an eventual higher court ruling in favour of Bankers Trust.

The US bank had applied for, and been granted, a licence to pay $2.23m damages and interest awarded by the High Court to the Libyan bank for Bankers Trust's failure to credit the appropriate interest earned by the Libyans' deposits.

Bonn tries to calm markets

BY HAIG SIMONIAN IN FRANKFURT

THE WEST German Finance Ministry tried unsuccessfully yesterday to calm the country's financial markets following reports, since confirmed, that a new 10 per cent withholding tax would be imposed on most savings and investments from 1989.

The ministry has still not given full details of its plans, especially as far as foreigners holding D-Mark Eurobonds in West Germany are concerned. The ministry made no official statement yesterday, although clarification had been keenly awaited by the market.

Officials appeared confident that D-Mark Eurobond issues would not be subject to the new tax, but this has yet to be formally stated.

Finance Ministry officials also attempted to reassure foreign investors. At his press conference on Sunday, Mr Gerhard Stoltenberg, the Finance Minister, confirmed that "we have no right to raise tax abroad," in response to a question on whether foreign holders of D-Mark Eurobonds would be affected.

After Friday's sharp falls, shares and bonds fell for the second day running yesterday, with the Commerzbank equity index down 24.2 points and bonds between 0.30 and 1.00 lower.

Money market rates rose sharply, with three-month money climbing to 5.05 per cent and 12-month rates increasing to 5¾. The D-Mark traded quietly against the US dollar and closed in Frankfurt at DM1.8125.

The bond market again fell heavily, with municipal issues worst affected. Last week's DM4bn new issue for the federal Government, which was listed for the first time on the Frankfurt stock exchange yesterday, plunged to 97.60 against its 99.75 issue price.

Editorial comment, Page 24

India to get $1bn drought aid package

By John Elliott in New Delhi

MAJOR Western nations have linked up with the World Bank and other multilateral agencies to provide India with almost $1bn in aid during the next 12 to 18 months to stave off a balance-of-payments crisis and offset other economic and social problems which have been caused by a severe drought.

Japan announced yesterday that it was to provide $280m in soft loans in addition to its regular aid allocation.

The US is considering speeding up payment of $100m in aid so that it is paid during the coming year, and other Western countries including Canada, Britain, the Netherlands and West Germany are initiating similar moves, as well as accelerating aid projects on water supply, management and usage.

A World Bank team arrived in New Delhi last night to negotiate terms for new loans of $350m to finance drought-related imports, which will be paid by next June along with accelerated payments on other approved aid projects totalling some $200m.

At the same time the European Commission is providing more than $30m in food aid.

About half of India has suffered as a result of the worst failure of the annual south-west monsoon for almost a century, and the country is facing serious balance-of-payments and public-spending problems because the monsoon crops have failed in many areas.

On present estimates the drought will cause imports to rise by about $800m and exports to fall by some $200m during the country's current 12-month monsoon cycle from July this year.

India has been facing continuing balance-of-payments

Continued on Page 26

Delhi moves in troops to wipe out Tamil rebels

BY ROBIN PAULEY, ASIA EDITOR, IN LONDON

INDIA launched a full-scale offensive in Sri Lanka yesterday to try to wipe out Tamil guerrilla units which refuse to surrender their arms.

At least 6,000 Indian troops, including paratroopers backed up by tanks and helicopter gunships, fought house-to-house battles with Tamil rebels in their northern Sri Lankan stronghold of Jaffna.

The paratroopers dropped on the city, the island's third largest, to help flush out the rebels who resisted fiercely. Jaffna City was reported last night to be completely surrounded by Indian troops.

The offensive preceded an emotional appeal by Mr Ranasinghe Premadasa, Prime Minister of Sri Lanka, to the United Nations Assembly in New York to pay attention to terrorism on the island. "Terrorism in Sri Lanka is aimed at destroying democratic systems, tearing up the country into bits and pieces and murdering innocent people," he said.

"In the face of these acts, which are dastardly and unjust, can an august assembly of this stature turn a blind eye and a deaf ear to what is happening in Sri Lanka?" he asked.

Meanwhile, about 2,000 guerrillas were defending the city of about 150,000 people, firing AK-47 assault guns and mortars from behind houses and, according to some reports, using civilians as shields.

At least 18 Indians, including three paratroopers, have been killed and 79 injured in three days of fighting since India adopted its tough stance. At least 163 rebels are reported killed and 260 captured.

The scale of the battle underlines the extent to which India has turned against the Tamil guerrillas, whose interests they have safeguarded for years in their determination to enforce the peace accord signed in July by President Junius Jayawardene of Sri Lanka and Mr Rajiv Gandhi, the Indian Prime Minister.

Under the accord, Sri Lanka's minority Tamils gain a semi-autonomous region in the island's northern and eastern provinces.

The determination by many Tamil guerrillas to defy the Indian peace-keeping force, refusing to surrender their arms and fighting on for a fully independent state, has infuriated the Indian Government. It has made India look weak to its small neighbour. President Jayawardene recently told the Indians either to do the job they were sent to do and ensure the peace was kept, or to leave the island.

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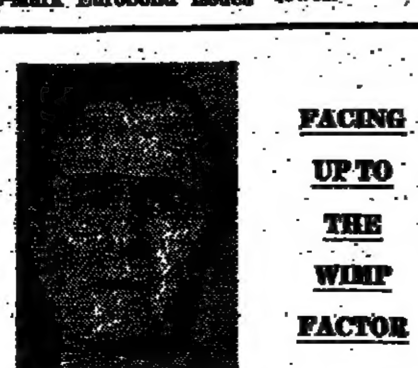

FACING UP TO THE WIMP FACTOR

George Bush: Presidential front runner with an image problem, Page 26

US hopes rise over W German Pershings

By William Dullforce in Geneva

US SENATORS yesterday expressed optimism that the latest hitch with the Soviet Union over West Germany's Pershing 1A missiles would shortly be removed.

But, after meeting the US and Soviet officials negotiating a global bilateral ban on Intermediate-range Nuclear Forces (INF), the five senators were less sure about the chances of a final draft being ready for submission to Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart, when they meet in Moscow on October 22-23.

Soviet officials last week disputed US claims that the two ministers had reached a compromise over the 72 West German missiles at their meeting last month in Washington.

The missiles, the nuclear warheads of which are controlled by the US, still had to be dealt with in the negotiations in Geneva, the Soviet officials were reported as saying.

Moscow had asked in the Geneva talks to retain some of its shorter-range missiles until the West German missiles had been dismantled, US officials said.

However, according to Senator Richard Lugar, Mr Alexei Obuchov, the chief Soviet INF negotiator, yesterday assured the senators that the compromise agreed by Mr Shultz and Mr Shevardnadze would still stand.

Under this, the US gave the Soviets an assurance outside the formal treaty that it would do away with warheads after the West Germans had declared the missiles obsolescent.

ROW BREWS OVER FUTURE OF STRATEGIC ATLANTIC ISLAND GROUP

Lisbon warns US over Azores base

PORTUGAL is threatening to renegotiate an accord giving the US military a key base on the mid-Atlantic Azores islands because it believes Washington has failed to keep its side of the bargain, Reuter reports from Lajes.

"We have always sought to maintain good relations with the US but if it does not change its tune over Lajes base then we are going to change ours," said General Vasco Rocha Vieira, Lisbon's chief representative on the Azores.

His views echoed those of Prime Minister Anibal Cavaco Silva, who said recently Portugal was unhappy about the way US aid had dropped and that it might take up its option next year to review the current seven-year agreement.

The Lajes base on the windswept island of Terceira plays a vital role in Nato's plans for the defence of Western Europe.

Four years ago, Portugal extended the 40-year-old treaty in return for aid worth about $1.4bn.

But the early flow of around $200m has been whittled away by foreign military aid cuts demanded by Congress and this year Portugal is due to receive only $147m.

"The problem is that the accord obliged the Reagan administration only to make a 'best effort' to ensure the money was paid. This was no problem until the Democrats won control of Congress," explained a US diplomat in Lisbon.

The Reagan administration has expressed sympathy with Portugal's case but says its hands are tied.

"We have made the efforts but the resulting levels of assistance are not what we would like and are not appropriate to our relationship...We are concerned," Assistant Secretary of State, Ms Rozanne Ridgway, told a news conference.

But US political in-fighting means little to Portugal which is smarting over what it sees as a lack of good faith towards one of Washington's staunchest European allies.

"The Spaniards and the Greeks are always causing problems about the US bases on their territories while Portugal has gone out of its way to be accomodating. This has to stop," said one Portuguese official who asked not to be named.

The cuts ordered by Congress were global and officials here believe that, with a little more "best effort," the aid that has escaped the axe could be redistributed, freeing the amount due to Portugal.

Mr Cavaco Silva's centre-right government could use the threat of a review or, at the last resort, the scrapping of the treaty in 1991 to persuade Washington it means business, Portuguese sources said.

The importance of Lajes, first established during the Second World War, is readily seen by the constant movement to and fro of US military planes of all shapes and sizes – from lumbering transport giants to supersonic F-16 jets.

Lying about two-thirds of the way to Europe from North America, it is the main base for anti-submarine warfare in the North Atlantic and would be vital for rushing supplies to Europe in the event of war.

"Controlling the Azores means control over most of the North Atlantic," said one US military adviser in Lisbon.

The accord allows for use of the base only within the limits of Nato operations, though Portugal has occasionally agreed to special US requests such as when Washington used its facilities to support Israel during the 1973 Arab-Israeli war.

Current US-Soviet nuclear initiatives aimed at scrapping some types of nuclear weapons have increased the base's importance, according to officials.

"The more likely that any war in Europe is a conventional war, the more important Lajes becomes of its vital logistical role," former Portuguese Foreign Minister Mr Pedro Pires de Miranda said recently.

The social impact of the base and the 3,000 military personnel and dependents on this mainly agricultural island of 53,000 people appears relatively muted with few culture clashes reported.

In addition, the aid earmarked for the Azores regional government – about $40m a year – has been untouched by the cuts which have mainly affected long-term credits for Portuguese military spending.

American-style bars have sprung up, the islanders can receive US television from the base and English words like "ice-cream" and "upstairs" have entered the language here.

Terceira's biggest single employer, Lajes gives work to about 1,500 locals and acts as the airport for inter-island and trans-Atlantic flights.

"We have no complaints about relations with the people on the base. But resentment at what we, as Portuguese, see as a raw deal is undoubtedly growing," said Mr Rocha Vieira, a cabinet minister who oversees Azorean affairs from Terceira.

Editor of Yugoslav newspaper dismissed

THE CHIEF executive of Yugoslavia's leading newspaper Politika was dismissed yesterday in a political faction row in the country's biggest republic of Serbia, Reuter reports from Belgrade.

Mr Ivan Stojanovic, Politika's director for under a year, was ousted by leaders of the Serbian branch of Yugoslavia's ruling Communist Party in a battle over the troubled Kosovo region, they said.

He was accused by Serbian party leaders of obstructing policy on ethnic Albanian separatism in Kosovo, an autonomous province of Serbia.

Ethnic Albanians outnumber the mainly Serb non-Albanians in Kosovo by 8-to-1 and relations have been tense in the province since Albanian nationalists rioted there in 1981.

Mr Stojanovic was the latest target in a Serbian political faction fight over Kosovo policy, the sources said. Mr Dragisa Pavlovic, head of the party branch in Belgrade, also part of Serbia, was fired two weeks ago over this issue.

Yugoslav political experts said the sackings resulted from a power struggle between Serbian party chief Mr Slobodan Milosevic and Serbian President Ivan Stambolic.

Mr Milosevic advocates a hard line against Albanian nationalism in Kosovo, while his opponents urge a more even-handed approach taking account of growing Serbian nationalism.

Soviet farm managers hampered in reform

By Patrick Cockburn in Moscow

SOVIET farm managers have so little independence that it is proving impossible to implement the reforms in agriculture which Mr Mikhail Gorbachev, the Soviet leader, says he wants, according to a detailed and hard-hitting analysis by an experienced farm manager.

Mr Albertas Meilus, who has run a successful 6,000 hectare collective farm in Lithuania since 1956, says that the failure to remove officials who previously mismanaged agriculture in his area is crippling the policy of allowing farm management to take key decisions.

"Our hands are still tied as before," writes Mr Meilus in the weekly Moscow News, a publication strongly favourable to radical reform, saying that in his experience the only way to manage a Soviet farm with success is to circumvent directives from the centre.

His article is important because Soviet economists believe that giving farms greater control over their output and the price at which part of it is sold could produce a rapid boost to the economy.

Mr Meilus also raises the question of retiring or redeploying many senior and middle-level officials who, though not directly involved in production, still retain day-to-day control over the management of Soviet enterprises.

As an example of this, Mr Meilus mentions a Mr Zigmas Petranakas, 17 years ago "our district party secretary who couldn't stand people who forgot to kowtow to him." Mr Meilus goes on to say that people like Mr Petranakas, now promoted within the local bureaucracy, had no right to retain their jobs.

Citing examples of the necessity of circumventing directives from the centre, Mr Meilus recalls the craze to plant maize everywhere, regardless of climatic or soil conditions, introduced by Mr Nikita Khrushchev, the former Soviet leader. In obedience to instructions, he sowed maize on his farm - but only in a two-metre wide strip close to the road where inspectors could see it. In the rest of the fields he continued to sow rye.

Elsewhere Mr Meilus expresses the frustration of professional managers in agriculture that real independence still eludes them.

Setbacks compel Le Pen's party to take harder line

BY GEORGE GRAHAM IN PARIS

THE Front National, the French extreme right-wing party led by Mr Jean-Marie Le Pen, appears to have changed tactics after its recent setbacks.

Members of parliament belonging to Mr Le Pen's party shocked French political opinion at the weekend by conducting a near riot in the National Assembly in the small hours of Saturday morning, during a debate on drug abuse.

After Mr Le Pen himself had appeared to wreck his chances of scoring well in next year's presidential elections by describing the mass killing of Jews in the Nazi concentration camps as "a detail," the upheaval in the National Assembly - attacked by other politicians as "putschist" - is seen as a reversion to more extremist tactics.

Since the Front National won 35 seats in the National Assembly in the legislative elections of March 1986, under the newly introduced proportional representation system, the party has generally sought to present its more respectable face.

Now that the electoral system has been changed back to a first-past-the-post method, and that Mr Le Pen himself is no longer seen as likely to score heavily in the first round of next year's presidential elections, its opponents believe that the party is reverting to a more agitational role.

"The hard face of the extreme right is reappearing, with its traditional anti-semitic and anti-parliament characteristics," said Mr Claude Malhuret, Minister for Human Rights.

"The Front National is in the process of committing suicide."

Analysts believe that Mr Le Pen has now given up his hopes of winning the 10 to 15 per cent vote in the first round of next year's presidential elections needed to force the leading right-wing candidate - either Mr Jacques Chirac, the current prime Minister, or Mr Raymond Barre - to bargain with him.

Indeed, Mr Le Pen may never make it into the presidential poll at all. Since his remarks about the concentration camps, the more centrist right wing parties have turned sharply against him and he now seems unlikely to raise the 500 signatures of mayors, regional counsellors or members of parliament necessary for a candidature.

Right-wing leaders, including Mr Charles Pasqua, the Interior Minister, who wields a certain influence over France's 36,000 mayors, have been actively campaigning to prevent Mr Le Pen from gathering the necessary support.

Mr Le Pen has defended his party's antics in the National Assembly on Friday night, when MPs ran up and down the rows turning electronic voting keys in the seats of absent members, as a protest against parliamentary absenteeism.

Like the parliaments of most other countries, France's national assembly is nearly deserted on many evenings - especially on Friday, when the unconscientious are added to the diligent who have departed for their constituencies.

"Ninety-nine per cent of the members of parliament of the majority and of the left were absent during an essential debate on a law concerning a plague which strikes hundreds of thousands of young people in our country," the Front National chairman said yesterday.

For the right-wing majority, which had hitherto hesitated to attack Mr Le Pen for fear of antagonising voters who sympathised with his law and order theses, the two episodes of the Nazi gas chambers and the riot in the National Assembly have been a godsend. They have been able to take their distance from a movement with which many of them felt uncomfortable but which they feared might prove necessary to them electorally.

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Embattled Genoa port chief to resign

BY ALAN FRIEDMAN IN MILAN

MR Roberto D'Alessandro, the 52-year-old chairman of the Genoa port authority who has faced bitter conflicts with the militant Italian Communist dockworkers' association, has decided to resign.

The resignation of Mr D'Alessandro, who has toiled for nearly four years to transform the crumbling port into a modern and computerised container terminal, is widely seen in Italy as a sign of his frustration. Although the port chief's departure has not been announced officially, he was meeting yesterday to discuss the matter with Mr Bettino Craxi, the Socialist party leader who as Prime Minister asked Mr D'Alessandro to take on the job in 1984.

Mr D'Alessandro, a former marketing executive at Zanussi, Pirelli and Fiat, has implemented a radical restructuring programme and has travelled widely to regain shipping clients who had abandoned Genoa.

However, the shop stewards of the Compagnia Unica Lavoratori, the militant dockworkers' association, have been disrupting the modernisation plan at Genoa in recent months and Mr D'Alessandro is believed to feel that only by withdrawing can a truce be achieved.

EC probes milk claim

BY TIM DICKSON IN BRUSSELS

THE European Commission yesterday confirmed that it had despatched an expert to Ghana to investigate claims that radioactive skimmed milk powder had been sent to the West African country as part of the European Community's food aid programme.

Commission officials emphasised their "surprise" at the reports, saying that the consignment in question had been accompanied by certificates showing that the radioactive level was "very considerably below" the maximum permitted in the Community (370 becquerels per kilo for skimmed milk powder).

Moreover, an analysis of samples by a specialist company employed by the Ghanaian authorities had confirmed a "minimal" level of radioactivity.

A spokesman in Brussels said that the milk powder had been loaded at Hamburg.

EUROPEAN NEWS

John Wyles reports on the stern budget warning given to the Rome parliament

Bank governor's reproof on economy

CENTRAL BANK governors hardly ever read a public riot act to their governments. They may sound the odd elliptical warning, but they usually battle for their version of sound economic policy away from the public gaze.

Mr Carlo Azeglio Ciampi, the Governor of the Bank of Italy, stopped short of a riot act in his report last Tuesday to the Italian parliament budget committees, but he was less elliptical and more strongly reproving than ever before.

He met equally strong reproof from Mr Giuliano Amato, the Treasury Minister, who probably fears that the governor's criticisms can be used by the many opponents to his budget proposals.

In fact, the governor can only be safely deployed by those wanting a stronger attack on the public sector deficit. Mr Ciampi treated the parliamentary committees to an icy account of recent economic policy failures and to a no less chilling assessment of the task ahead.

He reminded them that last year's government budget proposal aimed to reduce current spending net of interest payments on the debt by L10,000bn (£4.623bn); in reality only L2,000bn will be saved. The previous government's medium-term plan envisaged a total deficit next year of L90,000bn. The current budget proposal will try to hold it level at 1987's L109,500bn.

Last year's budget forecast a current account surplus of L6,000bn, real economic growth of above 3 per cent and a further fall in inflation to around 4.5 per cent. Instead, inflation this year will be around 5 per cent, the current account in broad balance and only the growth rate will be broadly in line with the earlier target.

The governor made little attempt to hide his scepticism - widely shared among independent forecasters - about the government's forecast of a fall in inflation next year to 4.5 per cent, despite a 1 percentage point budget increase in many VAT rates. This was bound to raise prices, said the governor, because of the degree of indexation in the Italian economy.

He stressed that incisive action was needed to reduce inflation if there was to be any chance of holding interest rates steady. Real interest rates in Italy are already the highest in Western Europe and many independent observers think further increases are unavoidable. Recent restrictions on bank credit and a higher tax on bank interest payments are seen as bound to push them up in the short term.

Public debt of principal OECD countries as % of GDP

	84	85	86†	87‡
Italy	77.7	84.6	88.6	93.4
US	45.1	48.5	50.5	51.6
Japan	68.4	69.4	69.1	69.5
W Germany	41.7	42.3	42.4	43.2
France	32.6	34.6	36.4	38.3
UK	55.3	53.7	53.8	53.0

† estimate; ‡ forecast

Source: Ciampi report to parliamentary committees 6.10.87

Other factors pointing to higher rates would be an inflation rate closer to the 5.5 to 6.5 per cent predicted by many private forecasters and a balance of payments deterioration prompted by weaker exports and over-strong domestic demand for imports.

Both scenarios would be bound to put renewed pressure on the lira, which some operators believe will be devalued in the spring. Meanwhile, the mid-September measures taken to prop up the lira have been sufficiently successful for the bank to replenish its foreign exchange reserves to the tune of $5bn.

But domestic rates will also have to reflect the sheer volume of government debt to be financed. According to Mr Ciampi, an average of L30,000bn of existing government notes and bonds maturing each month next year will have to be refinanced.

In addition, said Mr Ciampi, the need to finance the 1988 deficit means that domestic savers will be required to increase their investments in government issues at twice the projected rate of growth in national income. Failure would make control of bank reserves more difficult and undermine overall monetary policy, which the Bank will base on an 11 per cent increase in total domestic credit and a 6 to 9 per cent rise in M2 money supply.

Mr Ciampi's intent was clearly to cajole the legislators into accepting the budget's mixture of higher indirect taxes and spending cuts, not because he thinks it represents the last word in budgetary management, but because tinkering by the parliament is likely to produce something a great deal worse.

For their part, ministers believe that they have produced a balanced package which will preserve sufficient growth of 2.8 per cent to at least hold unemployment steady without boosting inflation. But as an attempt to face up to conflicting economic and political imperatives, it is rapidly pleasing no one.

Critics say that the shift in taxes from direct to indirect will not only push up prices but will also undo the benefits to the lower-paid offered by reductions in tax rates. Companies complain that they have not been given sufficient reductions in health and welfare payments to improve their competitivity, while militant union leaders are saying that increases in family allowances are inadequate.

Action on the revenue side is intended to produce a net increase in government income of around L11,000bn. This may be more easily achieved - subject to parliamentary approval - than the L8,000bn or so of savings and spending cuts which many analysts find vague and speculative, and unlikely to secure parliamentary approval. Two respectable forecasters, Prometeia and the Centro Europa Ricerche, say that the deficit next will will be at least L116,000bn, well above the government's target.

At a seminar in Venice early last week Mr Antonio Maccanico - the recently-appointed chairman of Mediobanca, Italy's most important merchant bank - appeared deeply worried about the growing debt burden, but said passage of the government's budget proposal without parliamentary amendments would have to be regarded as the best possible outcome.

At the same seminar Mr Giorgio La Malfa, leader of the Republican Party - who is promising a wave of parliamentary amendments to instil more austerity into the budget - was highly doubtful whether the Italian political class was really capable of grappling with the problem.

"It will be very difficult to build a consensus around the notion of budget austerity," he said with a shrug. But he and many others know that without determined political action, Italy's "second economic miracle" of the past four years risks being abruptly aborted by rising interest rates and currency instability.

Guiliano Amato (left) and bank governor Carlo Ciampi.

Norway fights economic crime

NORWAY, faced with a growing number of insider trading investigations and bankruptcies, plans to more than double the number of police fighting white-collar crime, government and police officials said yesterday, Reuter reports from Oslo.

The minority Labour Government's plans, to be unveiled officially later this week, follow a wave of alleged insider trading cases on the Oslo bourse.

'There is a great need for a bigger staff. We have to pass on some 20 to 30 cases a year to local police because of lack of capacity,' Mr Brynjar Manger, assistant director general of the police's national economic crime section, said.

He said that the 15-man section, swamped by 13 cases involving some of Norway's biggest bankruptcies, is trying to build up its knowledge of insider trading.'But we are struggling to overcome a lack of manpower and economic expertise,' he said.

The Government has proposed establishing an extra 20 jobs in the section, which helps state prosecutors prepare evidence against persons charged with economic crimes.

Details of the plan will go before parliament for approval later this year, a Justice Ministry spokesman said.

Election in Turkey may be postponed

THE DATE of Turkey's general election, now less than three weeks away, may be postponed for two or three weeks, writes David Barchard in Ankara

The postponement looks likely after the decision yesterday of Mr Turgut Ozal, the Turkish Prime Minister, to bow to pressure to recall parliament for a special session to amend the law making possible early general elections.

A key clause in the law, that affecting the selection of candidates, was annulled by the Constitutional Court on Friday.

Parliament is now expected to meet on Friday this week. The overwhelming majority of the Motherland Party's deputies now appear to have rallied around the leadership and prospects of a serious challenge to the Government are receding.

East Berlin to free thousands under amnesty

EAST GERMANY began yesterday to release prisoners under a wide-ranging amnesty and Western diplomats said they expected many thousands to be freed, Reuter reports from East Berlin. Convicted Nazis, war criminals, spies, murderers and those sentenced for crimes against humanity are excluded from the amnesty, decreed by Mr Erich Honecker, the East German leader, to mark the country's 38th anniversary on October 7.

The order, which also abolished the death penalty, said prisoners would be freed within the next three months.

A brief announcement in the Communist Party daily Neues Deutschland yesterday confirmed the amnesty had taken effect.

Western diplomats said they expected the releases at least to match previous amnesties. Nearly 22,000 prisoners were freed under the last one in 1979.

"Judging by the way the decree was formulated we expect similar numbers this time," said one diplomat.

Soviet generals adjust to strange world of glasnost

William Dullforce recalls the recent East-West encounter at the Soviet Union's secret chemical weapons site at Shikhany and the mixed reactions on view

THE GENERAL apologised for addressing everybody as tovarich (comrade). What he had meant to say was "comrades and gentlemen".

The recent East-West encounter at the Soviet Union's secret chemical weapons site at Shikhany was a novel experience for both sides, but it is a moot question whether this latest expression of Mr Mikhail Gorbachev's glasnost was stranger for the Soviet Army officers present or their visitors.

It is a safe bet that none of the diplomats had previously had to line up for a Soviet soldier to measure his (or in one case her) head for a gas mask.

For some of the disarmament negotiators, transported from Geneva, donning a mask to watch the immediate deadly effect of a droplet of Sarin nerve gas on a white rabbit brought home for the first time the reality at the heart of their work.

On his side Col Gen Vladimir Pikalov, who commands the Soviet chemical warfare forces, made no bones about his sense of unreality on the occasion. In his first remark to the motley collection of more than 100 diplomats, defence experts and journalists dumped by three Aeroflot Tupolevs on his secret proving ground, he confessed that never in his long career had he confronted such an audience.

He did not say that he was pleased about it, either. Several times during the two-day visit he made it clear that he was acting under orders from higher up.

His deputy, Lt Gen Anatoli Kunsevitch, a frisky bull-terrier beside his solidly built boss, played glasnost more smoothly. Viewers watching Vremia, Moscow television's most popular news show, saw and heard him exchanging ideas in the lee of a Soviet Army truck with Ms Tessa Solesby, Britain's new ambassador to the Geneva talks.

It was Lt Gen Kunsevitch, who button-holed the Voice of America's Russian-speaking correspondent, to inquire why no stories had yet been filed from Shikhany. (A special telephone link had been put into the Volga River cruise ship on which visitors spent the night but in about the only lapse in the army's well co-ordinated organisation of the visit nobody had told the journalists.)

Lt Gen Kunsevitch at least did not want the political message to be lost. 'Just think what the opening of Shikhany means for our traditions (read: our closed society),' the general said.

Indeed, the effect of glasnost could not have been more striking for one Western ambassador. Overhearing the general's remark, he commented: 'And that is the man who less than a year ago swore blind to me that the Soviet Union had no chemical weapons.'

What did the army really think about Mr Gorbachev's glasnost? It was difficult to read anything from the impassive faces of the smartly drilled colonels who relayed each other to snap out the characteristics of the lethal chemical agents displayed before the stand in which the visitors huddled against the cold wind, and the 19 methods of delivering them.

Soviet journalists gave some hints. "This (demonstration) is stripping us naked," Pravda quoted one officer as mumbling. The voracity with which Western defence experts levelled their cameras at everything on display made his remark understandable.

"Why did you let them see Bagay-Baranovka (the military airport at which the visiting party was landed)?" a Soviet reporter reproachfully asked an officer. Logistics was the answer: it would have taken too long to helicopter them in from the nearest civil airport at Saratov.

Glasnost started to sag during the evening briefing on board the cruise ship. Questions about the extent of the Shikhany complex and the size of the Soviet stockpile of chemical weapons drew a sour response from Lt Gen Robert Razuvanov, commander of the complex. "Such matters are not on the programme for this visit," he said curtly.

Col Gen Pikalov, of all people, intervened to suggest that the "gentlemen's" questions might be answered later. Since neither his hosts nor visitors wanted a dispute, the evening ended amicably.

Nor, as might be supposed, was the atmosphere sustained by vodka. Stolnichaya was conspicuously absent from the ship's bar. The Soviets were observing Mr Gorbachev's campaign against alcoholism although whisky and cognac were available for the capitalists.

Next day, back inside the sensor-controlled, helicopter-patrolled perimeter of the proving ground some 15km inland, the Soviet Army demonstrated its ability to destroy the lung-clogging, nerve-paralysing weapons it has accumulated.

US intelligence estimates that the Soviet Union has about 100,000 troops in its chemical warfare forces. 'What will you all do, if we end up with an international agreement to ban chemical weapons?' a Soviet journalist asked.

A naive question perhaps but indicative of the revolution in conceived ideas called for by the Kremlin's new policies.

Even a brief brushing of shoulders with the Soviet Army imparts a revelation of the penetrating and highly controversial stirrings that Mr Gorbachev's glasnost is creating within the fabric of Soviet society.

Canadian postal strike intensified

By David Owen in Toronto

THE TWO-WEEK-OLD campaign of strikes by members of the 23,000-strong Canadian Union of Postal Workers has taken an acrimonious turn, following the government's introduction last week of a bill to put them back to work.

Union leaders reacted by turning a campaign of rotating strikes into a fully-fledged national strike.

The number of picket line arrests across the country has been rising steadily and police are believed to be investigating the burning of 13 strike-breaking temporary workers at Missassauga with battery acid.

The bill would end the strikes, appoint an arbitrator to impose a contract and subject the union to heavy fines if it did not instruct its members to return to work. It is not expected to be passed until near the end of this week.

Opposition parties last week turned down a government request to allow quick passage of the measure, maintaining that no emergency debate was necessary.

Despite the expansion of the strike, "high volumes" of mail are being handled, according to a Canada Post spokesman.

Ecuador deal on rescheduling

ECUADOR has reached a preliminary agreement to reschedule $5.078bn of debt owed to commercial banks, Mr Rodrigo Espinosa, the Finance Minister said, Reuter reports from Quito.

Mr Espinosa returned to Quito from New York on Saturday following talks with the creditor commercial banks' steering committee.

He said he was hoping to present details to President Leon Febres Cordero yesterday for a final decision.

Commercial banks accounted for about two-thirds of Ecuador's external debt of $8.16bn at the end of 1986, Central Bank figures showed.

Mr Espinosa said the total rescheduling of $5.078bn included new credit, a rescheduling of earlier credits of $200m and $431m and $4.094bn owed to commercial banks.

He added the credit would help finance Ecuador's balance of payments deficit in 1987-88.

Tim Coones in Buenos Aires reports on the moonlighters who pay no taxes but still contribute to the industrial output

Argentina's 'black' economy becomes a fact of life

BEGGARS AND BUSKERS have become a common sight nowadays along the once-fashionable shopping malls of Buenos Aires.

The minks and designer suits are still in display behind the plate-glass windows but many shop owners today hire sharp-eyed lackeys to cajole likely-looking customers in off the street.

The gradual invasion of junk-food snackbars and franchised clothing stores is a sure sign of changing fortunes. In the city restaurants, ragged-clothed children pass from table to table hawking band-aids and Alka-Seltzers to bankers and businessmen as they digest high finance over wine and hefty beefsteaks. The waiters turn a blind eye.

Argentina's once-opulent society now accepts its "black" economy as a fact of life.

The street sellers, however, are only the visible tip of a growing mountain of moonlighters, part-timers, tax evaders and self-employed, who operate at the margin of the "real" economy which is represented in the official statistics on GDP, output, prices and incomes.

An extensive and startling report published this week in the local financial newspaper, El Cronista Commercial, argues that Argentina's actual GDP of some $70bn is in fact almost 40 per cent greater still.

The report says this is due to the now widespread practice of people simply ignoring taxation and employment regulations either as employer, employee or self-employed — each trying to obtain a little more of the available national pie.

In so doing, they avoid entering into the official government statistics and thereby reduce the official national pie in equal proportion.

The report is based on surveys and econometric analyses carried out over the past two years by the Institute of Contemporary Studies, an organisation linked to private sector and business interests.

The study estimates that only 39 per cent of the economically-active workforce over the age of 14 now work in formal occupations, either as employees or self-employed. A further 10 per cent "moonlight" with undeclared second jobs and another 15 per cent work without any formal contract of employment.

The remainder form a staggering 36 per cent of self-employed who have no registered occupation, pay no taxes, but whose collective endeavour nonetheless contributes to a major part of the economy without it ever being noticed by the government. (For statistics aficionados, the figures have "a 4 per cent margin of error with a 95 per cent confidence interval.")

One illuminating observation is that whereas Central Bank figures demonstrate that industrial output declined by 23.8 per cent between 1974 and 1985, other official statistics show that consumption of electrical energy by industry actually grew by 59.5 per cent over the same period as did industrial investment, albeit at a depressed rate.

The report concludes: "In other words, the conventional national accounts are capturing only two-thirds of the real size of Argentina's industrial output, the other third corresponding to the value generated by the informal sector." Industrial output is therefore $9.2bn greater than it appears to be, says the report.

The result of all this private and public perfidy is that the treasury is deprived of some $3bn to $4.2bn in lost taxation income per year, and "a further $500m in pension contributions."

The study argues that inadequate penalties for tax evaders, over-taxation of the few public-spirited people and enterprises who do declare their true incomes, over-regulation of the economy, and a finance and credit system which encourages fraud and speculation at the expense of production, are the main causes of the problem.

Given who its sponsors are, the report rather unsurprisingly recommends less taxation to encourage the evaders to come in out of the cold and to ease the burden on the honest ones.

But it applauds government proposals to develop a more effective capital market in Argentina, to make reforms to the financial system.

The report recommends legislation and incentive schemes to promote more companies to float shares and bond issues on the stockmarket and to open their books to public scrutiny.

It also argues that, given the long history of tax evasion and inadequate state financing in Argentina, the government has also turned to the informal economy to finance its spending. "Inflation is nothing other than an informal tax," the report says.

The Central Bank began this week sending out warning messages to the financial system by liquidating six insolvent banks out of the 200 that exist in Argentina.

Tax reforms are also in the pipeline as are reforms to the state sector and public administration.

But the "black" economy has already penetrated to the very heart of the system. A BR operator in the Central Bank told me recently that he works as a master builder in his spare time "and you don't happen to know where I could find some work abroad do you?"

New Brunswick votes today with Conservative premier in trouble

BY OUR CANADA CORRESPONDENT

VOTERS in New Brunswick, Canada's only officially bilingual province, go to the polls today in an election expected to end 17 years of rule by its flamboyant Conservative premier, Mr Richard Hatfield.

In a marathon 45-day campaign, dominated by criticism of Mr Hatfield's style, support for the opposition Liberal party and its youthful leader, Mr Frank McKenna, has hovered consistently at about 60 per cent of decided voters.

This suggests the Liberal party's second landslide provincial election victory in two months, following Mr David Peterson's crushing win in Ontario on September 10.

The 56-year-old Mr Hatfield, who has defeated four different Liberal leaders in successive elections, appears close to succumbing to a string of personal problems in 1984 and 1985.

In quick succession, the beleaguered premier faced charges of marijuana possession (he was acquitted) and allegations both that he had offered drugs to students at a private party and that he had used provincial and party funds for overseas trips. The chain of events led to an abortive attempt by party critics to oust him from the leadership at a November 1985 convention.

In a bid to revive his fortunes in the current campaign, Mr Hatfield has unveiled a new energy policy, including plans for a C$1.5bn nuclear power plant in the south of the province, and promised to build a bridge to Miscou Island in the north-east. Mr Hatfield's own constituency in the western town of Hartland, already boasts the world's longest covered bridge.

But neither these pledges nor references to the Conservatives' record of job creation and economic progress appear to have dented the Liberal campaign, headed by the vigorous Mr McKenna.

As part of his platform, Mr McKenna has promised to seek changes to the Meech Lake constitutional accord—negotiated this year by the federal Prime Minister, Mr Brian Mulroney, and the 10 provincial premiers—on the grounds that it will weaken the federal government.

He has yet to take a stand on Canada's tentative free trade pact with the US, which has been endorsed by Mr Hatfield.

Former Venezuela president Perez to stand again

BY JOE MANN IN CARACAS

MR CARLOS ANDRES Perez, who was president of Venezuela from 1974 to 1979, was chosen yesterday to be his party's presidential candidate in national elections scheduled for the end of 1988.

Mr Perez's party, a social democrat organisation called Democratic Action (AD), is Venezuela's largest political force and has won the presidency four times in six sets of elections held since the last dictator was ousted in 1958.

AD is the ruling party in Venezuela today and President Jaime Lusinchi's five-year term will end in February 1989.

Mr Perez, who will be 65 later this month, obtained 65.8 per cent of votes from AD members and defeated former Interior Minister Mr Octavio Lepage, 64, who received 34.1 per cent.

More than 50,000 AD members voted on Sunday, culminating a costly and bitter internal campaign that lasted more than a year and threatened to divide the ruling party.

However, after Mr Perez's victory was announced, Mr Lepage and other party leaders said they would unite behind the Perez candidacy.

In next year's elections, Mr Perez will face the candidate of the country's largest opposition force, the Social Christian Copei party.

Copei's leading presidential contenders are former President Rafael Caldera and the party's Secretary General, Mr Eduardo Fernandez.

Mr Lepage's candidacy received active support from President Lusinchi and the governmental apparatus, and Sunday's results represented a major defeat for the chief executive, say supporters of Mr Perez.

The battle between the two AD candidates was viewed by politicians here not only as a fight for the party's candidacy, but also as an effort by the President to exercise leadership of the party after he leaves office.

The President has said in public that he and his administration did not take sides in the internal campaign.

No serious ideological issues have emerged during the campaign thus far and no coherent economic policies have been defined. Basically, the AD campaign was a battle of personalities.

Mr Perez waged an energetic and aggressive campaign to overcome the opposition of a majority of so-called orthodox party officials who were aligned against him. And support from party labour leaders was decisive in his victory.

Opponents of Mr Perez did not want to see a former president obtain the candidacy once more and said that, while in office during the 1970s, Mr Perez ruled with little or no respect for the party's wishes.

Mr Perez's five years in office were marked by a spectacular increase in Venezuela's oil income and wild government spending on programmes in public works, social welfare and heavy industry. He also nationalised foreign petroleum and iron ore mining companies.

Mercenaries killed in Surinam clash

SURINAMESE troops killed 12 anti-government rebels, including two men identified as West European mercenaries, Reuter reports from Paramaribo.

The guerrillas were killed in a clash on Sunday near Pokigron, 170 km south of the capital, an area at the centre of the fiercest fighting in Surinam over the past month, according to the government news agency.

One of the dead was identified by a captured guerrilla as a Dutch explosives expert who specialized in blowing up highway bridges in Surinam's hinterland.

UAW wins guarantees on jobs from GM

By Anatole Kaletsky in New York

US car workers have been unexpectedly successful in winning comprehensive job guarantees from General Motors and have given away little in the way of productivity commitments, according to details released yesterday of the new three-year contract between GM and the United Auto Workers.

To the surprise of many analysts, GM, which is America's biggest private sector employer and is generally regarded as seriously overmanned, has agreed to offer its 335,000 UAW employees a guarantee against layoffs as sweeping as the promise given by Ford in the pathbreaking agreement the second largest US car maker signed with the UAW last month.

GM will be prohibited from laying off any of its UAW members for any reason other than an identifiable decline in sales. Any loss of sales caused by GM decisions to produce cars or components abroad or in non-UAW factories will be restricted. As in the case of Ford, permanent reductions in employment due to productivity gains will be restricted to half the number of workers who are lost through retirement and natural attrition.

Politician killed in Colombia

MR JAIME PARDO LEAL, leader of the Patriotic Union (UP) and a candidate in the Colombian presidential election last year, was shot dead on Sunday by unknown gunmen, Reuter reports from Bogota.

Mr Pardo, 48, was ambushed on a road about 50 miles west of Bogota and died on arriving at hospital.

The Patriotic Union was created in 1985 by the Communist Party after ceasefire agreements between the government and the oldest guerrilla movement, the Revolutionary Armed Forces of Colombia.

Mr Pardo Leal, whose name was on various death lists circulating in Colombia, had been put under police guard. About 450 UP members or sympathisers have been assassinated since the party was created. The UP has accused right-wing paramilitary groups of being behind the killings.

AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT • AT SHERATON LITTLE THINGS MEAN A LOT

BRUSSELS • COPENHAGEN • EDINBURGH • ESSEN • FRANKFURT • GOTHENBURG • INNSBRUCK • ISTANBUL • JERUSALEM • LISBON • LONDON (BELGRAVIA, HEATHROW, PARK TOWER, SKYLINE)

"I'VE LEFT MY UMBRELLA IN A TAXI."

To be fair, our American guest did give us a clue.

"It's a Mercedes," he told us. No kidding. Just like the other 999 taxis cruising the streets of Jerusalem.

In such circumstances, the majority of staff in the majority of hotels might, understandably, have offered sympathy and very little else.

Fortunately for the owner of the brolly, he was staying at the Sheraton.

And although the odds of finding a needle in a haystack were slightly shorter, this didn't deter our doorman.

To him, the lost umbrella came as a personal challenge.

With the chances of finding it slim by anyone's standards, he was on the case.

Two days later, the taxi was located and the brolly returned to its incredulous owner.

At Sheraton, we have a training programme for all our staff which aims to impress upon them our idea of service.

We've summed it up as 'Little things mean a lot.'

It would appear that the doorman from the Jerusalem Sheraton, for one, has got the message.

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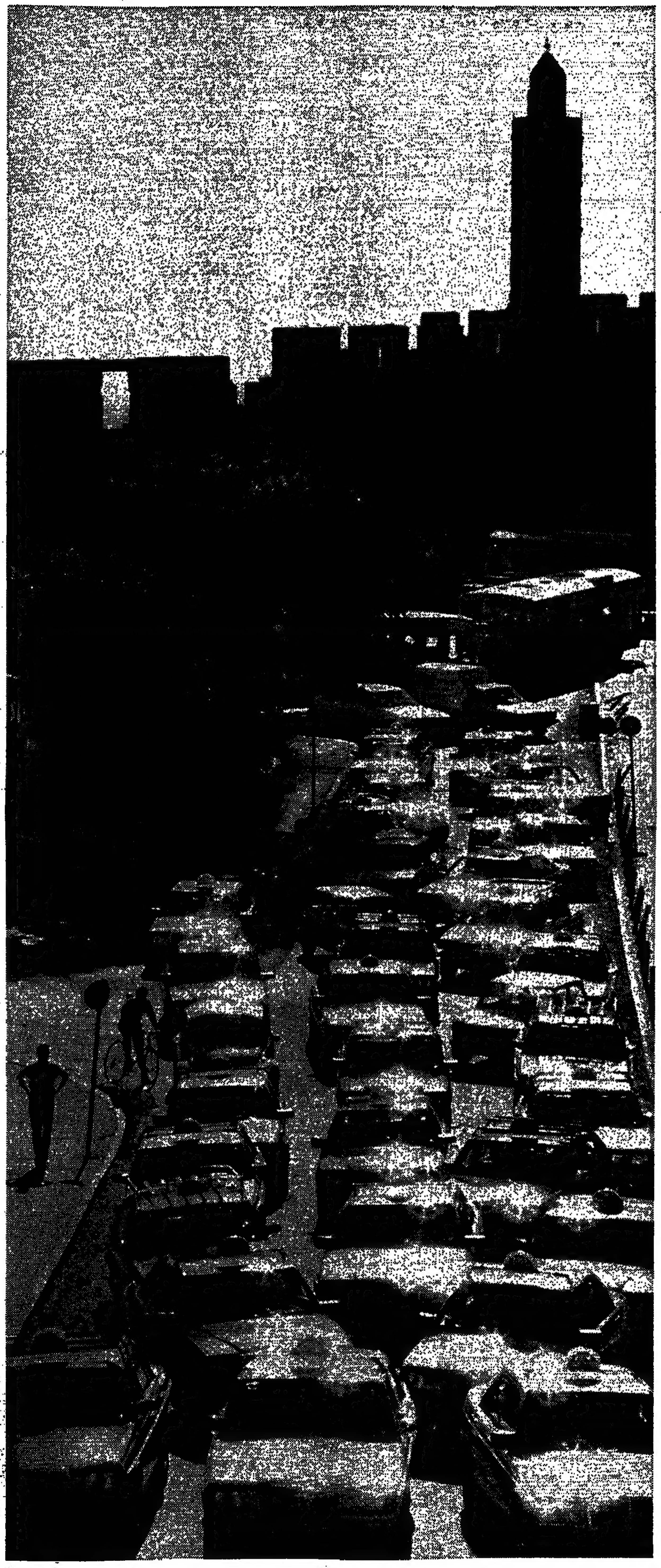

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Japan's surplus with US shows unexpected leap

By Stefan Wagstyl in Tokyo

JAPAN'S trade surplus with the US unexpectedly rose last month as American consumers continued to buy Japanese cars, electronics and communications equipment.

The figures indicate that many Japanese exporters have learned to cope with the strength of the yen - by selling technologically-advanced goods into fast-growing markets. 'What they (Japanese manufacturers) are doing is absolutely fantastic,' said a Mitsubishi Bank economist.

According to customs-cleared figures published yesterday by the Ministry of Finance, exports to the US rose to $7.58bn last month, 3.9 per cent higher than in September 1986.

As a result, even though imports from the US were 10.5 per cent higher at $2.72bn, the trade surplus rose slightly from $4.80bn to $4.86bn.

Japan's overall trade surplus was down sharply, but not by as much as in August. The September surplus was 17 per cent lower than in the same month in 1986, compared with a 31 per cent fall in August.

Last month's surplus was $7.432bn, against $8.92bn a year earlier. Exports were 6.7 per cent higher at $20.326bn, while imports rose 27.6 per cent to $12.89bn.

Economists in Tokyo said Japan's trade surplus with the rest of the world should continue to decline - in line with the Japanese Government's prodiction of $77bn for the 1987 fiscal year, down from $94bn for 1986.

However, some said the September figures indicated that the surplus would shrink more slowly than optimistic forecasters had been expecting. Mr David Robins, head of research at Union Bank of Switzerland, Philips and Drew,said: 'It's going to be long hard road for the US.'

Telecommunications equipment exports, including fast-growing sales of facsimile machines, registered the highest increase by product sector last month - up 34 per cent year-on-year. Auto parts exports were 22.5 per cent higher and office equipment was 19.5 per cent up.

Mr Robins said :'These are areas where Japanese producers are effectively in a category of their own.' Consumers in the US who wanted these goods had to buy Japanese

Geographically, exports to South East Asia grew most - by 21.4 per cent to $4.6bn. This was partly due to increased exports of machinery and plant for equipping Japanese-owned factories for offshore production.

Imports from South East Asia were also sharply up - by 46.7 per cent to $3.5bn - reflecting increased purchases of textiles and clothes.

Royal Ordnance makes $40m sales to US

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

ROYAL ORDNANCE, the recently-privatised UK arms maker, yesterday announced two further sales to the US worth $40m, bringing the value of total contracts in the US it has announced within the past few weeks to around $160m.

On the opening day of the Association of the US Army exhibition in Washington, RO announced the US army had bought 28 of its 105 mm light guns, in addition to 27 earlier bought. The new order, which may be supplemented in the next 18 months, is worth $25m.

At the same time, Cadillac Gage, the US maker of tracked vehicles, has won a $150m order for its Stingray tank from the Thailand army. RO is to get $15m of this order for supplying its "low recoil force" version of its standard L7 tank gun to fit onto the Stingray. First deliveries are due in 1988. RO and Cadillac Gage are expected to try to sell the same joint product to the US services as a light-weight tank.

Cadillac Gage, part of the Textron group, also announced yesterday formation of a partnership with Diehl of West Germany to produce tank tracks for the main US battle tank, the M1.

Car imports cut into Taiwan market

By Bob King in Taipei

IMPORTS of foreign cars especially from Europe, are gaining an increasing share of the Taiwan market. The increase has prompted local assemblers to lower prices and improve quality and after-service facilities to remain competitive.

Cars from European producers such as Daimler-Benz of West Germany, SEAT of Spain,Volvo of Sweden,and Fiat of Italy, and US groups gained an 18.3 per cent share of the local market during the first eight months of this year.

If sales maintain the trend of the first eight months,Taiwanese consumers will buy nearly 200, 000 cars this year,and of those, nearly 40, 000 will be imports.

The trend toward imports has not been lost on local car companies, all of which assemble vehicles in co-operation with multinational groups.

Officials of Ford Liu Ho and Yue Loong (the latter in co-operation with Nissan),Taiwan's two leading carmakers, stressed the need to increase quality and produce more cost-effectively in the face of rising imports.

The threat from these imports is likely to increase since one of the major components of Taiwan's automotive development plan,which covers the period up to the end of 1992,is a 5 per cent annual reduction in duties on imported cars. In five years, this will result in duties being reduced to 30 per cent,compared with the present 55 per cent.

Finns in $10m Turkish deal

NOKIA-Mobira, the Finnish telecommunication company, has signed a $10m contract to deliver a mobile telephone system to Turkey, Reuter reports from Helsinki.

The company, which is part of the Nokia Oy group, will immediately start to deliver some 1,000 mobile telephones, message scramblers and pay phones to the Turkish Board of Post and Telecommunication.

The contract expands a mobile telephone network opened in the Ankara and Istanbul areas in October 1986, which has since been expanded.

Yeutter aims to resolve crucial dispute on Airbus subsidies, writes Peter Montagnon

Fears grow over aircraft trade war

TOWARDS THE end of this month Mr Clayton Yeutter, the US Trade Representative, will sit down with four European counterparts to resolve a crucial dispute over subsidies to the European Airbus.

On both sides of the Atlantic the fear is growing that unless a satisfactory outcome is reached the aircraft industry could soon be plunged into a damaging and expensive trade war.

The US has charged that that the UK, Germany, France and Spain unfairly subsidise Airbus. It is now armed with a specially prepared Commerce Department report, which claims that there is no way for Airbus to be commercially viable, to back up this argument.

In reply the Airbus governments argue that the US is making unwarranted assumptions about the cost of producing Airbus aircraft. In any case, they say, the US indirectly subsidises its own aircraft manufacturers through large-scale defence contracts.

Moreover, the General Agreement on Tariffs and Trade permits subsidies to aircraft manufacturers provided they do not distort the market. As US manufacturers continue to dominate world sales of large passenger aircraft there is no evidence of this happening.

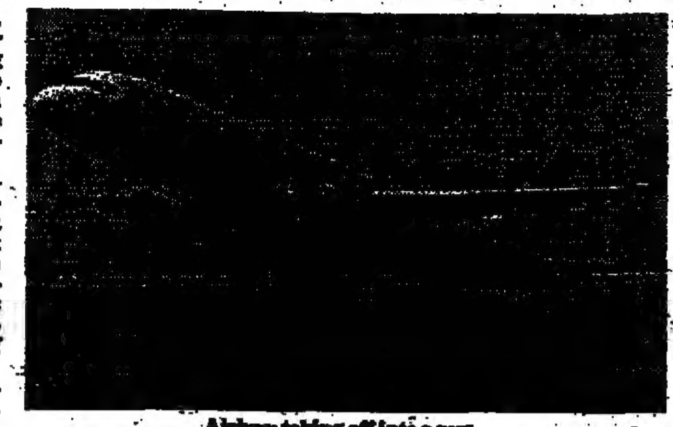
Initial discussions within Gatt have failed to produce a compromise between the two positions. This month's discussions will attempt to do so by direct negotiation at very senior level. No one denies that a further failure would be very damaging to the industry. The US could go on to impose sanctions, which would immediately provoke counter-retaliation from Europe.

With the growing international integration of the aircraft industry, both sides could be hurt by their own actions. Aircraft manufactured by Airbus have traditionally contained US components, ranging from engines to interior fittings, that make up between one third and one half of their value.

Similarly airframe manufacturers like Boeing source heavily abroad, using, for example, Rolls Royce engines and fuselage parts from Aeritalia for its 767 range. And third countries like Japan, which supplies fuselage parts for the Boeing 767, would also be sucked into the dispute.

Yet on both sides positions remain deeply entrenched. Germany, in particular, believes strongly in the need for a European aircraft industry unimpeded by the US. And in the US Mr Yeutter has come under strong pressure from McDonnell Douglas, which believes that the proposed Airbus A-340 airliner could jeopardise the market for its MD-11 plane, on which it believes its future depends.

A major risk is that if the talks fail at government level McDonnell Douglas may decide to initiate a trade complaint in the US under Section 301 of the US trade legislation, alleging unfair incentives and deliberate price undercutting by Airbus in third markets. Airbus has consistently denied McDonnell's allegations.



Airbus: taking off into a row

The process by which such actions can culminate in the imposition of sanctions is normally lengthy, but industry executives believe it could have an immediate impact on Airbus's market prospects in the US. Airlines would be reluctant to purchase further aircraft because of the risk that extra duties could be applied retroactively. That in itself might provoke pressure in Europe for counter-measures to be taken.

The art in the negotiations will therefore be to find a solution, possibly in the form of an undertaking by the governments backing Airbus to reduce their level of state support, which would be sufficient to pre-empt the initiation of a trade complaint by McDonnell Douglas.

The British Government, which seeks to make a return on its Airbus investment by raising a fixed-rate levy on each aircraft sold, regardless of price, would not seem to fall foul of the US's criticisms. But Britain is one country which stands to lose most heavily from the outbreak of a trade war.

Apart from Rolls Royce and Shorts Brothers of Belfast being a major supplier of engines to Boeing, British Aerospace has business in the US whose value exceeds that of its contract to manufacture wings for Airbus. Moreover the newly privatised British Airways has a long-standing preference for Boeing and has not yet bought any Airbus aircraft.

Some British officials acknowledge that this means there could be strong pressure against counter-retaliation in the event of US sanctions being imposed on Airbus. The US may yet decide to call Europe's bluff and is in a strong position to do so, despite the technical flaws in its argument.

Yet component suppliers in the US also have a lot to lose. The realisation that this could be a trade war which nobody wants is one reason why a senior executive of McDonnell Douglas proposed increased co-operation between the French and the US aerospace sectors last week, at a private meeting in Paris. Industry executives in Europe are uncertain whether this approach is genuine or little more than a negotiating ploy.

In any case the two sides still have to find a face-saving way of reconciling their very public government positions. Until that happens the situation could lurch out of control, prompting a trade dispute more damaging than any yet seen between the US and the European Community.

Post offices seek bigger share of business traffic

By David Thomas

THE post offices of all the main European countries and the US have set up a team to study how they can win a greater share of international business traffic.

The team, to be led by Sir Ron Dearing who has just retired as chairman of the UK Post Office, will report by early next year.

Sir Ron explained that national postal administrations had become worried that the volumes of international letters and parcels carried by them had been broadly static in recent years, even though international trade was growing rapidly.

The one exception to this was international express mail, where volumes carried by post offices had been growing despite fierce competition from the private sector.

A dozen national post offices have already agreed in principle to set up a joint venture company centred on Brussels to boost their express mail operations.

Sir Ron said that before making recommendations his study team would carry out market research to find out exactly why international mail carried by national post offices had not been growing. He believed that trade-related business was increasingly being conducted by telephone.

His team would study differences in quality of service between postal administrations and see whether any recommendations could be made to remove variations.

It would also consider whether there was scope for the postal administrations to engage in more joint promotion, for instance by having a common logo on all international parcels.

Japanese 'agree to invest in Australian mill'

SIX Japanese companies have agreed to invest A$100m in a A$1bn chemical wood pulp mill which North Broken Hill is considering building in Tasmania, the company said yesterday, Reuter reports from Sydney.

The companies are Sujo Paper, Sanyo-Kokusaku Pulp, Mitsubishi Paper Mills, Mitsui and Co, Sumitomo and Mitsubishi North BH said.

North BH had also invited three US companies to participate in the venture as equity partners. A response from the companies, which he did not name, was expected soon. The planned mill would be built by Associated Pulp and Paper Mills a North BH subsidiary,Mr Morgan said.

A final investment decision would be taken early next year.

UK company invited to share Hermes study deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SINGER Link-Miles, the UK-based aerospace and defence simulator manufacturer, is the only UK company invited to tender for a study contract for a space-flight simulator for the European Hermes manned space vehicle.

Four other companies have also been invited to tender - two from France and one each from Spain and Canada. Hermes is the European Space Agency's plan for a manned orbiting spacecraft for the 1990s, to be launched by the European Ariane rocket.

The European Centre National d'Etudes Spatiales (CNES), the French National Space Agency, acting on behalf of the European Space Agency, is seeking detailed studies on the development of a simulator that will enable prospective astronauts flying in the Hermes to be trained on the ground in much the same way commercial airliner pilots can be fully ground-trained in simulators.

Singer Link-Miles will be working in conjunction with Sagem of France (Societe d'Applications Generales d'Electricite et de Mechanique of Paris) and Trasys (Tractabel Information Systems, of Brussels).

The contract is expected to be awarded around the end of this year.

Singer Link-Miles is a member of the UK Industrial Space Committee, and a founder-member of Space Ventures, the industrially-sponsored company recently set up in conjunction with the Society of British Aerospace Companies to support UK industrial involvement in space research and development.

Commonwealth to be pressed on S Africa curbs

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN VANCOUVER

AFRICAN front-line states will continue to demand more comprehensive economic sanctions against South Africa at the Commonwealth Heads of Government meeting opening here today.

This was stressed by President Kenneth Kaunda of Zambia on the eve of the meeting in a hard-hitting speech to a so-called "parallel" conference on southern Africa, organised by more than 100 Canadian anti-apartheid organisations.

Mr Kaunda clearly wanted to impress on his audience that the general realisation that Mrs Margaret Thatcher, the British Prime Minister, could not be persuaded to modify her opposition to sanctions, did not mean that African and other states would not seek to press the matter.

A communique issued by the parallel conference, also attended by Mr Pasqual Mocumbi, the Mozambican Foreign Minister, and Mr Johnny Makatini, head of the African National Congress's international department, said that mandatory economic sanctions remained the only means by which the international community could bring about the dismantling of apartheid.

It also made plain that increased economic aid to the front line stare, which Britain is prepared to back, could not be considered a substitute for sanctions. "The two go hand in hand," it said.

The conference also called for the release of Mr Nelson Mandela, the African nationalist leader, and all political prisoners in South Africa and Namibia. In particular, it demanded the release of detained children and called for greater material support for detainees and their families.

The renewed pressure for sanctions is unlikely to cause any change of heart on the part of Mrs Thatcher. The Prime Minister knows that most of the Commonwealth leaders want to avoid a repetition of the acrimonious exchanges which soured the atmosphere at the mini-Commonwealth summit in London last year.

Mrs Thatcher, who was due to have bilateral discussions with President Kaunda, Mr Brian Mulroney, the Canadian Prime Minister, and Mr Bob Hawke, the Australian Premier, yesterday, was expected to put all the emphasis of joint Commonwealth action on economic aid to the frontline states.

Strike hits Philippine companies

By Richard Gourlay in Manila

A PLANNED general strike in the Philippines yesterday brought some industrial companies to a standstill around Manila but failed to bring the country to its knees as the militant trade unions behind it had hoped.

Strikers closed ten of the 22 companies in an export processing zone in Bataan, east of Manila, where the unions are strong, while west of the capital, police fired shots in the air and used water cannon to break up a rally.

The strikers were demanding a Peso 10 (30p) increase in daily pay for all public and private sector employees while the government has proposed only a Peso 8, or 25 per cent, increase in the minimum wage in the private sector.

However, the promised transport strike never materialised. Two days after a successful show of labour strength during a strike in August over fuel price rises that brought the capital to a standstill, rebellious colonels came very close to toppling Mrs Aquino in a military coup.

Last week the proposed strike added to nervousness, partly generated by the armed forces chief of staff, that another coup is imminent. It sparked largely uninformed speculation that Mrs Aquino would have to adopt some form of emergency powers or declare martial law.

US oilman and two Swiss held in Nigeria

BY WILLIAM DULLFORCE IN GENEVA

A US oil company executive and two Swiss private security guards have been detained in Nigeria since July 31, according to the Swiss Foreign Ministry. No charges have been filed against the three men who are being held by the Nigerian Security Organisation.

Mr Herbert Rooks, 58, the American president of Panoco Incorporated, a Geneva-based oil services and management company, arrived in Lagos in July with an auditing team acting for Panoco, a Swiss-based oil company.

The two Swiss, Mr Sylvain Stragiotti and Mr Michel Piguet, employees of Agence Enquetes et Securite of Geneva, accompanied the team as security guards.

Nigerian newspapers have reported that the three are being held as "witnesses" in a two-year-old dispute between the National Nigerian Petroleum Company and Pan Ocean Oil Corporation, Nigeria.

In July 1985 NNPC stopped supplying 150,000 barrels a day of crude oil to Pan Ocean under a contract due to expire in November 1985. NNPC alleged that the Swiss-owned company was suspected of selling the oil to "non-recognised countries", a term applied to South Africa and Israel.

Mr Vittorio Fabbri, chairman of Pan Ocean and chief executive of Panoco, said the charge was completely unfounded. The oil had been sold under contract to Shell International Trading Company, he said.

Claiming breach of contract, Pan Ocean has since refused to pay $134m due to NNPC for earlier oil deliveries.

But Mr Fabbri said yesterday that he was close to agreeing a settlement which Mr G.A. Adams, NNPC's managing-director, could recommend to his Government.

Mr Fabbri stressed that none of the three men held by the Nigerians had anything to do with the dispute over the contract with NNPC. Mr Rooks had not joined Pan Ocean until October 1985, three months after the dispute had broken out, he said.

CHEYSSON ENDS THREE-DAY VISIT

Israel-EC farm trade talks fail

BY JUDITH MALTZ IN JERUSALEM

MR CLAUDE CHEYSSON, the European Community's External Relations Commissioner, ended a three day visit here yesterday without reaching any agreement with the Israeli Government over the controversial issue of direct agricultural exports from the occupied territories to the EC.

Playing down his fruitless talks with Israeli leaders, Mr Cheysson told a press conference in Jerusalem: "Contrary to what people are saying, this is not a political dispute between the EC and Israel, but a technical problem."

The EC decided last year to give preferential status to agricultural produce in the West Bank and Gaza Strip, but up until now, absolutely no goods from these territories, under their own labels, have been received by the EC. As in the past, the small quantities exported continue to bear a "Made in Israel" label.

Israel has refused to permit the Palestinians to use its ports to export independently to the EC and has argued that if the farmers do not wish to use Israel's own state-run marketing agencies, they should send their goods to the EC through neighbouring Egypt and Jordan.

Mr Cheysson said his main concern was that "The real origin of all goods should be formally recorded." Whom the Palestinians choose to export through, he said, is something they will have to work out with the Israelis, "which is none of our business."

An Israeli Foreign Ministry official said privately yesterday that in principle, the Government supports any moves designed to improve the standard of living of the population of the territories. "But, in reality," he added, "only two countries in the region are equipped with the infrastructure to export to the EC, and these are Israel and Morocco."

A separate matter discussed during the EC Commissioner's visit was the long-delayed ratification of Israel's own new agricultural access agreement with the EC, which he insisted was not linked to Israel's persistent refusal to allow direct exports of Palestinian produce. Discussions had centred on reducing duties on Israeli cut flower exports, which have been especially hard hit, by applying the agreement before its official ratification.

Mr Cheysson concluded by saying that an EC mission would be sent to Israel within a few days to finalise these "technical matters."

Palestinian woman killed during West Bank riot

ISRAELI troops shot dead a Palestinian woman and wounded five people during riots yesterday in the occupied West Bank town of Ramallah, hospital and security officials said, Reuter writes from Ramallah.

Students at Palestinian universities demonstrated as Arab-Israeli tensions that began in Jerusalem and the occupied Gaza Strip at the weekend spread to the West Bank.

Mrs Inayat Samir Hindi, a teacher aged about 35 and the mother of five children, was shot in the main Manara Square of Ramallah where hundreds of Palestinian demonstrators threw up roadblocks and pelted Israeli troops with stones. The troops responded with tear gas and then opened fire.

Others treated for bullet wounds were a woman, 20, a girl, 15, men aged 25 and 68, and a girl, 16, released after treatment for a bullet that grazed her elbow, the officials said. All were in good to fair condition.

Stone-throwers injured an Israeli border policeman and an Israeli motorist elsewhere in the West Bank, security sources said.

All shops closed in protest throughout Ramallah, just north of Jerusalem, after the shooting and many stores closed in Arab East Jerusalem as well as Gaza.

About 100 arrests were made, Palestinian sources said. Israeli officials said no figure was yet available.

A preliminary military inquiry showed the troops involved were off-duty border police administrators and soldiers whose two vehicles became trapped in a stone-throwing crowd.

The Israelis, returning from leave, carried Uzi submachine-guns.

Hawke warns US about Australian trade status

MR BOB HAWKE, Australia's Prime Minister, said yesterday that the US should not make Australia a first-class ally but a second-class trading partner, Reuter reports from Washington.

Hawke said in a television interview that he was not threatening to reduce Australia's commitment to the Australia-New Zealand-United States alliance.

But he confirmed reports that he had expressed concern at meetings with Mr George Shultz, the US Secretary of State, in California at the weekend that a proposed trade bill in Congress would hurt Australian farm products and that US-Japanese trade deals might inadvertently hurt Australia.

"The essential message I gave George Shultz," he said, "was to give the message to the United States that it must not run the risk of regarding Australia as a first-class ally and a second-class friend," he said.

He was asked what he was threatening by that and a statement last month that the US could not hurt Australian trade "and expect to take all other elements of the alliance for granted."

"Well, I'm not trying to threaten anything," Mr Hawke replied. "What the leader of a democratic country does is to try to convey the mood and the sentiment of his people to friends, and that is what I am trying to do."

He said there was a rising feeling among Australians that as a good US ally they should be treated fairly on trade. He said the Anzus alliance was not on any bargaining table and should not be.

Tony Walker on the risks of the Egyptian president's higher profile

Mubarak makes room for change

Mubarak acknowledging applause yesterday.

THE QUESTION asked most often after the extravagantly stage-managed inauguration yesterday of President Hosni Mubarak for a second six-year term was: "Why all the fuss?"

For weeks Egyptians have been drowned in propaganda publicising the achievements of their president. To some the campaign appeared like a crude attempt to promote a Mubarak personality cult.

Posters of Mr Mubarak adorned flat surfaces all over the country; television gave unstinting coverage to his visits to factories, construction projects and regional centres. State-run newspapers sought to outdo each other in their description of his exploits.

Popular songs and poems were written to commemorate his endorsement in a national plebiscite on October 5 as sole candidate for the presidency. The weeks of campaigning culminated yesterday in a motorcade through the city and the traditional address to the nation.

"It wasn't necessary at all," said Mr Mohammed Salmawy, an Egyptian journalist and playwright. "The majority of people would have voted for him anyway. They believe he's all right, they are happy with him."

The election result, in which Mr Mubarak received 97 per cent of the valid votes cast, continued the Egyptian tradition of presidential candidates receiving near-unanimous endorsement. Claims of a turnout of 88 per cent out of 14m eligible voters, however, were regarded sceptically.

Mr Galal Hamamsy, a prominent Egyptian newspaper columnist, said that it appeared efforts were being made to boost Mr Mubarak for his second and critical six-year term, during which he will face a number of difficult decisions. "Maybe he wants to have full power to do something unexpected," Mr Hamamsy said, echoing concerns felt by many Egyptians over the recent uncharacteristic behavior of their president.

Mohammed Sid Ahmed, a leftist writer, said it appeared that the lead-up to the plebiscite was inspired by a desire on Mr Mubarak's part to set the stage for a more flexible and forceful approach during his second term in office, to repond to critics on both left and right. "Mubarak," he added, "does not want to be linked to any fixed programme."

Mr Mubarak has hitherto made a virtue of appearing like a humble custodian of his country's highest office. "It was amazing," said Mr Hamamsy, "never before have we had such a fuss. It never happened even at the height of Nasser in the 1960s."

Few Egyptians would deny that Mr Mubarak, a dour 59-year-old ex-air force commander, performed creditably in his first term of office under difficult circumstances. His mission to improve Egypt's crumbling infrastructure has achieved results. The country's phone system has been replaced. The sewage system is in the process of being renovated, a metro has just opened and new flyovers have eased traffic congestion.

Mr Mubarak, who inherited a bitterly divided country from his slain predecessor Anwar Sadat, helped to restore a degree of unity. He has been less successful, according to his critics, at providing a heavily bureaucratised Egypt with a sense of purpose and vigor.

Most commentators believe that Mr Mubarak's toughest challenge lies in reviving Egypt's faltering economy. Inflation, now at between 25-30 per cent and threatening to run out of control, is the government's biggest worry.

Another concern is the strengthening religious trend that is threatening Egypt's essentially secular character. Mr Mubarak has been criticised for being too accommodating to the Islamic tendency in the interests of avoiding a confrontation. The president is likely to find that in his second term more is expected of him.

Extravagant election claims about Mr Mubarak's achievements in his first six years may prove a two-edged sword. People encouraged to demand more of their leader may be inclined to be more critical of him if he fails to deliver.

Kurds seize Italians in Iraq

AN IRAQI Kurdish group said yesterday it had kidnapped three Italian engineers in northern Iraq and demanded the withdrawal of Italian ships from the Gulf, AP reports from Beirut.

The group, calling itself "The Kurdistan Iraqi National Union" said it seized the three "in protest at the Italian aid to the Iraqi regime and the Italian military presence in the waters of the Gulf."

The claim was made in a type-written statement in Arabic delivered to an international news agency in Beirut. The statement named the three Italians as Mr Giaccoco Minsti, Mr Charoraki Cicyugi and Mr Pital Louis Roberto.

The undated statement, which started with "in the name of God the merciful, the compassionate", did not say when or how the three were seized. "The conditions for their release are an end to Italian aid to the Iraqi regime and the withdrawal of Italian military ships from the Gulf," the statement added.

Italy last month decided to send an eight-vessel force, which includes three frigates and three minesweepers, to the Gulf to escort Italian merchant ships at risk of being caught up in the seven-year conflict between Iran and Iraq.

The three-month old government of Italian Prime Minister Giovanni Goria has been criticised by opposition parties for its decision.

Saddam claims Gulf war diminishing in intensity

BY ANDREW GOWERS, MIDDLE EAST EDITOR

Saddam Hussein

PRESIDENT Saddam Hussein of Iraq has claimed that the Gulf war is diminishing in intensity and that despite the threatening rhetoric coming from Tehran, Iran is now too weak to open a new front either by attacking Kuwait or by confronting the US Navy in the Gulf.

His remarks, in an interview published yesterday in the Kuwaiti newspaper al-Siyassa, underline just how confident Iraq has become of its ability to continue fending off Iranian attacks now that his regime has succeeded in "internationalising" the war by drawing substantial US and other Western military forces into the Gulf and engaging stronger Arab support.

President Hussein's assessment of the position also coincides to a remarkable degree with that of some Western diplomats in the Gulf. They believe that Iran is in a serious dilemma following the clash between Iranian speedboats and American helicopter gunships in the northern Gulf last Thursday night. Iranian leaders have threatened severe retaliation, but many analysts are assuming they know they could not hope to come out on top in any confrontation with the US.

"The Iranians may confront the Americans in the Gulf only in one case - when they want to say to the world that they were defeated by superpowers and not by Iraq," Mr Hussein said.

"All that you hear from the Iranians now is empty words, because they are unable to confront the United States and they are too cowardly to be involved in such a risk. Iran is not in a position to open a new front, because it has become weaker and hence it cannot attack Kuwait."

Publication of the president's comments coincided with yet another attack by Iraqi warplanes on an oil tanker off the Iranian coast, as Baghdad kept up the pressure on Tehran's oil export lifeline. The 20,828-tonne Panama-flag shuttle tanker Marianthi-M was hit in the attack, and one crewman was reported to have been killed. Iraqi jets also bombed an oil refinery in the central Iranian city of Isfahan.

Iraq hit two tankers at the weekend: the 239,435-tonne Rova, which was still on fire yesterday after being hit by two Exocet missiles and suffering up to six crew casualties, and the 215,925-tonne Merlin.

The Gulf shipping community is now nervously awaiting possible Iranian retaliation. While observers note that Iran has attacked many fewer ships than Iraq in the past few weeks, there are fears that its patience is being sorely tested.

Tehran issued thinly-veiled threats at the weekend to use deadly American Stinger surface-to-air missiles that it says it has recently acquired against US forces.

Mr Hussein claimed that Iraq had succeeded in "totally breaking the aggressive nature of Khomeinism" - a reference to Iran's revolutionary leader - and that as Khomeinism had failed when the rest of the Arab world was largely indifferent, it would certainly fail "after the Arabs now become vigilant to its sinister targets".

South Korean women vote with their feet

BY MAGGIE FORD IN SEOUL

SOUTH KOREAN men are becoming figures of fun in the place where it hurts most - the family home. Their lifestyle, buoyed by a booming economy, is being rejected by the very people who are needed to underpin it, their present and future wives.

Educated women are increasingly refusing to get married after finishing their university degrees, or insisting on staying at work after the wedding. "We are looking for an interesting life of our own," says one senior secretary.

It is not difficult to see why. A recent play performed in a fashionable Seoul university district spelt out a day in the life of a typical business executive or official.

Sprawled on the sofa where he has collapsed the night before, Mr Kim is awakened by his two toddlers at 7am. Blearily he struggles through the family breakfast served dutifully by his wife, dresses and sets off in his car for the office.

After the usual commuter traffic jam he arrives and is served instantly with coffee by his secretary, well schooled in the deferential attitudes appropriate to her junior status. A morning of paper shuffling, meetings and telephone calls is followed by a solitary lunch poring over the afternoon paper for news of the day's politics, without which no Seoulite would feel comfortable.

By eight in the evening Mr Kim is released from the office to join his classmates from school or university or his office friends in the bar and later the nightclub. Arriving home, somewhat drunk at midnight, he spends another night on the sofa.

"It's so boring," says one wife. "You don't see them all week and they're so exhausted from all the working and drinking that they sleep all weekend." The solution for the wives is increasingly to take jobs themselves and for the unmarried to remain single.

The problems of pursuing either course loom large. Although women can easily gain jobs in universities and schools as teachers, anything above receptionist level in companies and the civil service remains man's work. Almost all senior Koreans have male secretaries.

Many companies require female graduate recruits, if they hire them at all, to sign contracts agreeing to resign either on marriage or on becoming pregnant. Promotion to secretarial level is difficult, beyond it almost impossible.

A number of openings for educated women have appeared recently, however, in foreign companies, especially banks and securities firms.

Mr George Robinson, of W.I.Carr, the Hong Kong based securities firm, said: "The women are very ambitious and keen to get on. They're tough and they're often less concerned about their status in the office hierarchy."

Although some Korean companies, including the Daewoo group, have recruited women into business management, the large business groups primarily employ women on the factory floor, especially in electronics and textiles.

The women work for less than half the wages of men workers, averaging Won168,000 (£76) per month in 1984, and put in longer hours, averaging almost 60 per week. Their aim is to work for two or three years to save money for marriage.

Economists believe that this system will not work forever and that unless it changes the country faces a shortage of women workers in the next few years, as better education depletes the ranks of those willing to work on the assembly line.

For those in the middle, with high school education and fairly poor backgrounds, emigration can be the answer. Many of the hostesses serving in the nightclubs have two jobs, their savings earning 12 per cent interest in deposit accounts, awaiting the day they can get approval to travel. South Koreans are only issued passports for approved business or educational travel unless they are older than 45.

The coming of democracy may improve the options for women, not least by allowing them to fight for a change in the present severely discriminatory laws. An effort by women's groups two years ago to alter the family and inheritance laws, which strongly favour men in child custody and property rights, was blocked by the protests of Confucian scholars and other conservatives who believe strongly that women's place remains in the home (and, many women would say, under the thumb).

Many companies require female graduate recruits to sign contracts agreeing to resign either on marriage or on becoming pregnant

Women's response to this setback has been to vote with their feet. One 30-year-old who had studied in Europe and earns an excellent living as a translator, returned to Seoul to be told by her father that her plans to leave home were shameful. How, he asked, could she ever expect to get married if people knew she was not living safely under the family roof?

The solution for this independently minded woman was to assure her father that she had no plans ever to get married and move in with her sister. Six months later she had rented her own flat.

South Korean men have not all been blind, however, to their women's aspirations. On Friday nights in Kangnam, Seoul's enormous middle class suburb, groups of half a dozen young couples can be seen dining together in restaurants, a change from the family groups seen in the past.

One husband said: "I love my wife. We didn't get married so as not to see each other." Their friends, they say, feel the same way.

While this attitude is stronger among younger couples, one older man who switched jobs to work for an expatriate boss confessed that it was a relief to get away from evening office politics in the bar.

Traditional Confucianism clearly plays a strong part in the low status role allotted to women. The duty of filial piety places women at the bottom of the heap, owing obedience to almost everybody.

But it also affects younger men, who are expected to try to please their older superiors, who may have got their jobs through seniority, regardless of ability.

UK NEWS

Venture capital funds raise record sums

BY CHARLES BATCHELOR

VENTURE capital funds in 1987 raised a record amount of finance and put unprecedented sums into funding management buyouts, according to two surveys.

The venture capital industry, which provides equity capital to unquoted companies, raised £622m from institutions and the public in the first nine months of 1987, according to the survey by Venture Economics, a specialist consultancy.

That was nearly two and a half times the amount raised in the whole of 1986 and nearly £100m more than the combined figures for 1985 and 1986.

The 1987 total includes two large buyout funds - a £100m fund raised by Charterhouse and a £96m fund raised by Nightingale - but even if those are excluded, the total comes to $424m, which is still 69 per cent higher than 1986.

Private funds backed by institutions dominated fund-raising activities, accounting for 96 per cent of the money raised, while less than £7m was raised by two Business Expansion Scheme funds.

The balance of venture-capital funding raised was accounted for by two new publicly quoted venture capital investment companies.

The Venture Economics figures appear to confirm a move by the industry to safer investment areas.

Five of the 13 recently set up private funds will invest wholly or mainly in buyouts. A further three will concentrate on development capital and later stage financings.

Only one fund is a specialist technology fund.

A distinctive feature of 1987 fund raising was their increasingly international focus.

Three were denominated in Ecu and were designed to invest in companies throughout Europe, while three had transatlantic connections, Venture Economics said.

At least 10 more funds are due to close before the end of the year indicating "a memorable year" for the venture capital industry.

In a separate report, Peat Marwick McLintock, the accountancy firm, said the value of management buyouts in the year to date was already higher than in the whole of 1986.

Buyouts in the first three quarters of the year amounted to £1.1bn, marginally less than the £1.15bn for 1986, but a £205m buy-out of ANZ Banking Leasing and a record £715m buy-out of the MFI furniture group have taken the total beyond the 1986 figure in the first few days of October.

Benn heralds campaign on hard left policies

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

MR TONY BENN, Labour MP for Chesterfield, said yesterday that the Chesterfield conference to be held this month would launch a "vigorous campaign throughout Britain" to propagate the policies of the hard left.

He said the Labour Party had tended to retreat in the face of argument instead of putting forward challenging ideas.

Mrs Margaret Thatcher had sent her ideological paratroopers behind Labour's lines. Now it was time for Labour to "get back behind her lines."

Mr Benn is one of the main organisers of the conference, which will rally constituency Labour parties, trade unionists and various socialist organisations on October 24 and 25.

He said the campaign was not directed against the party leadership of Mr Neil Kinnock.

"We shall make no progress by advocating splits in the movement," he said, "nor by open or coded personal attacks upon supposed traitors in our own ranks, nor by searching for new heroes to lead us from the top."

However, some Labour moderates see it as the start of a campaign to combat the policies being proposed by Mr Kinnock and Mr Bryan Gould, campaign co-ordinator in the general election.

Westland helicopter makes first test flight

By Michael Donne, Aerospace Correspondent

THE Anglo-Italian EH-101 helicopter built by EH Industries, a company owned jointly by Westland Helicopters of the UK and Agusta of Italy, has made its maiden flight from Westland's airfield at Yeovil, Somerset.

The aircraft, PP-1, is the first prototype of what is expected to be a fleet of more than 800 helicopters for the UK and Italian armed forces.

The aircraft is vital for the troubled Westland group which has suffered a severe shortfall in helicopter orders over the past year or so leading to substantial redundancies.

The EH-101 will enable the group to expand production through the 1990s and into the next century and could end its financial difficulties.

The Royal Navy has already stated its intention to buy an initial 50 aircraft, the Defence Ministry will buy 25 for the army and the Italian navy wants 42.

Canada is likely to be the first export customer with a plan to buy up to 50 for its armed forces.

The EH-101 is expected to enter service in the early 1990s, replacing the Royal Navy's Sea King anti-submarine warfare helicopter.

However, it is also intended for a wide range of other missions, including tactical transport and search and rescue in a special utility version.

A civilian passenger transport version is also planned.

The first flight went according to plan, according to Mr Trevor Egginton, Westland's chief test pilot.

"This maiden flight is just the start. PP-1 will now begin the most extensive flight development programme for any helicopter, with 5,000 hours to be flown by nine pre-production aircraft in both Italy and the UK."

The second prototype, PP-2, built by Agusta, will fly soon at that company's airfield at Cascina Costa near Milan.

Another seven prototypes will be built over the next two years.

Both Westland and Agusta are building parts for all the EH-101s and there will be assembly lines in Yeovil and Milan.

Rising middle-class wealth is reviving demand for domestic servants, writes **Ralph Atkins**

Where there's yuppy muck, there's brass

MOPPS & BROOMES, quality cleaner to the burgeoning City gentry, seeks further opportunities to take advantage of the 1980s social revolution.

Mr and Mrs Brian Gilbert proprietors, are pleased to offer a discreet, comprehensive and regular service to urban professionals on high salaries and long hours. Yuppies a speciality.

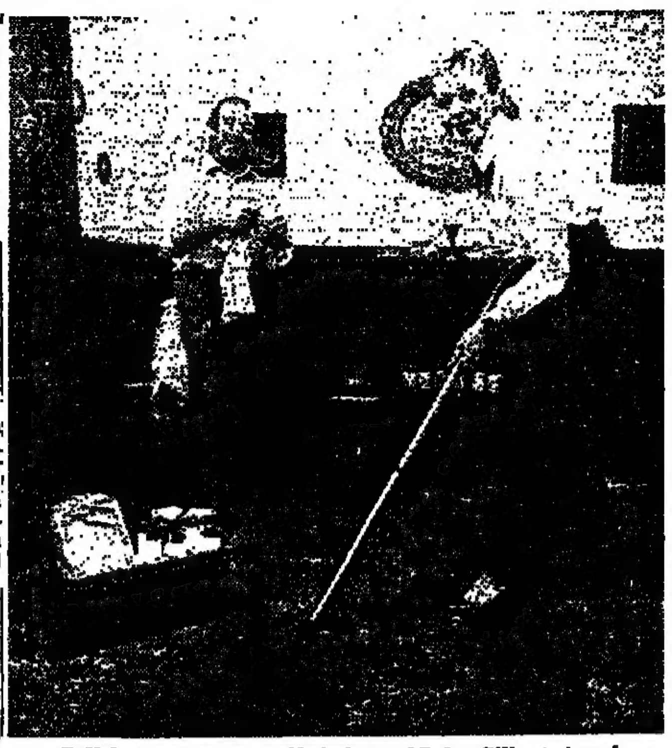
The three-year-old domestic cleaning company is run from an ex-council flat in Bow, east London, little more than a broom's throw from the well scrubbed and affluent flats and houses of Docklands and surrounding areas.

Mr Gilbert used to work as a cleaner for Ford in Dagenham. Christine, his wife, is a former Sainsbury supermarket cashier.

They started Mopps & Broomes in 1984 with £1.50 capital. Now it cleans 25 homes a week throughout the East End of London.

The service offered, the Gilberts admit without hesitation, is reminiscent of a strict Victorian upstairs-downstairs class divide. Clients rarely see them working; communication is mostly via notes and cheques.

"It felt a little strange at first, picking up people's personal things," said Mrs Gilbert. "But now it is like any other job."



Polished performance: Christine and Brian Gilbert at work

The company's success illustrates an apparent boom for *home helps, nannies, housekeepers* and au pairs born of the increasing wealth of Britain's middle classes. The rise of this new proletariat, living in a symbiotic relationship with very high earners, probably has three main causes.

First is the trend to longer working hours. Leisure time is becoming more precious, and fast-living yuppies are becoming yuppeds - young urban professionals employing domestic staff.

Second, more women are taking jobs and are unwilling to opt out of the career structure to raise a family. Dinkies (dual income, no kids) now become tinkies (two incomes, nanny and kids).

The third reason is the effect of high unemployment and cuts in public nursery facilities. Domestic work is attractive to jobless people with heavy family commitments, while working mothers are relying more on the private sector for child care.

The clear winners from these trends are the well paid employers of domestic help. For those on the other side of the fence, the story is not always so happy.

The Low Pay Unit, which lobbies on behalf of the poor, is increasingly worried about the employment conditions of some workers. It estimates that more than half of domestic helpers and maids are paid less than £2.60 an hour. At least 16 per cent earn less than £2.

Frequently daily cleaners merge into the black economy. Paid in cash and continuing to claim *government benefits, they* often have few employment rights and no entitlement to sick leave.

Au pairs also suffer exploitation, although agencies emphasise that they are paid only pocket money and are expected to have light duties lasting no more than five hours a day.

Mrs Trudi Hurst is recruitment officer at Mrs Lines Domestic Agency, which sends staff to all parts of the UK and Europe. "We hear of families who use au pairs as domestics - working them from seven in the morning to seven at night. It's absolutely appalling," she said.

Trained nannies, however, can take advantage of a demand that considerably exceeds supply.

Each year about 5,500 girls from 165 approved training colleges sit exams set by the National Nursery Examination board. Three years ago about 40 per cent were expected to take jobs as private nannies. This year it is likely to be nearer 70 per cent.

Mrs Louise Davis, principal of Norland Nursery Training College in Hungerford, reports "a renaissance" in the nanny market after a postwar decline.

The college, founded in 1892 and famous for its distinctive uniforms, trains about 80 girls every year who are exported around the world. A fully qualified Norland nanny can usually expect at least £110 a week.

"When I came to the college in 1980 the ratio of nannies to jobs was about one to five. It is now about one to 15," said Mrs Davis, a mother of three and employer of one Norland nanny.

For other domestic posts, evidence of a surge in demand is patchier. The Lady magazine, *founded* in 1885, still carries several pages of domestic situations vacant including nannies, au pairs, personal assistants and housekeepers.

But The London Evening Standard has seen little growth in its classified advertising for domestic posts. In 1985 it advertised 1,680 vacancies; so far this year it has printed only 1,176 and it does not expect many more before the end of December.

Figures from the Department of Employment suggest the number of servants in private houses in the UK has remained static at about 165,000 during the 1980s. But that almost certainly neglects changes in the size of the black economy and workers who fall into different official categories.

Mr Nicholas Coleridge, editor of Harpers & Queen magazine and renowned Yuppie-watcher, believes domestic staff are "an absolutely important life support machine" for modern hard-working high flyers.

"The kind of person who has little enough time to see his *girlfriend would hardly want to* devote those precious few moments to ironing his shirts," he says.

Mopps & Broomes has learnt that there are profits to be made from cleaning up after these new professionals. The moral is simple: where there's yuppie muck, there's brass.

Lawyers' salaries rise average 9.6%

BY MICHAEL SKAPINKER

THE TOTAL remuneration of lawyers employed in industry and commerce has increased by an average of 9.6 per cent over the past year, according to a survey out today. That compares with an increase of 13.9 per cent in 1985-86.

Chambers and Partners, the legal recruitment consultancy which published the survey, said this year's increase matched the general salary trends in commerce and industry.

"The dramatic salary increases we have seen in the City during the last 12 months, including some remarkable increases for salaried employees in the major City firms of solicitors, have not had the wider impact on salaries in industry and commerce that one might have expected," it said.

The average total remuneration, excluding share options, of a legal adviser in industry or commerce is £35,994, the survey said.

The best-paid sector for younger in-house lawyers is banking, where average remuneration for lawyers in their 30s is £34,934.

The oil industry, previously the best-paid sector, has fallen to third place behind service industries. Fourth position is held by the electronics and computer industries, where lawyers in their 30s can expect to earn a total of £31,663.

That represents a substantial improvement. In the previous two years, lawyers in the high-technology sector had been at the bottom of the table, below their colleagues in engineering and construction.

Regional salary variations have remained stable over the past three years.

Salary Survey of Lawyers in Industry. Chambers and Partners, 74 Long Lane, London EC1A 9ET. Free.

Aims of Industry plans protest against TV ban

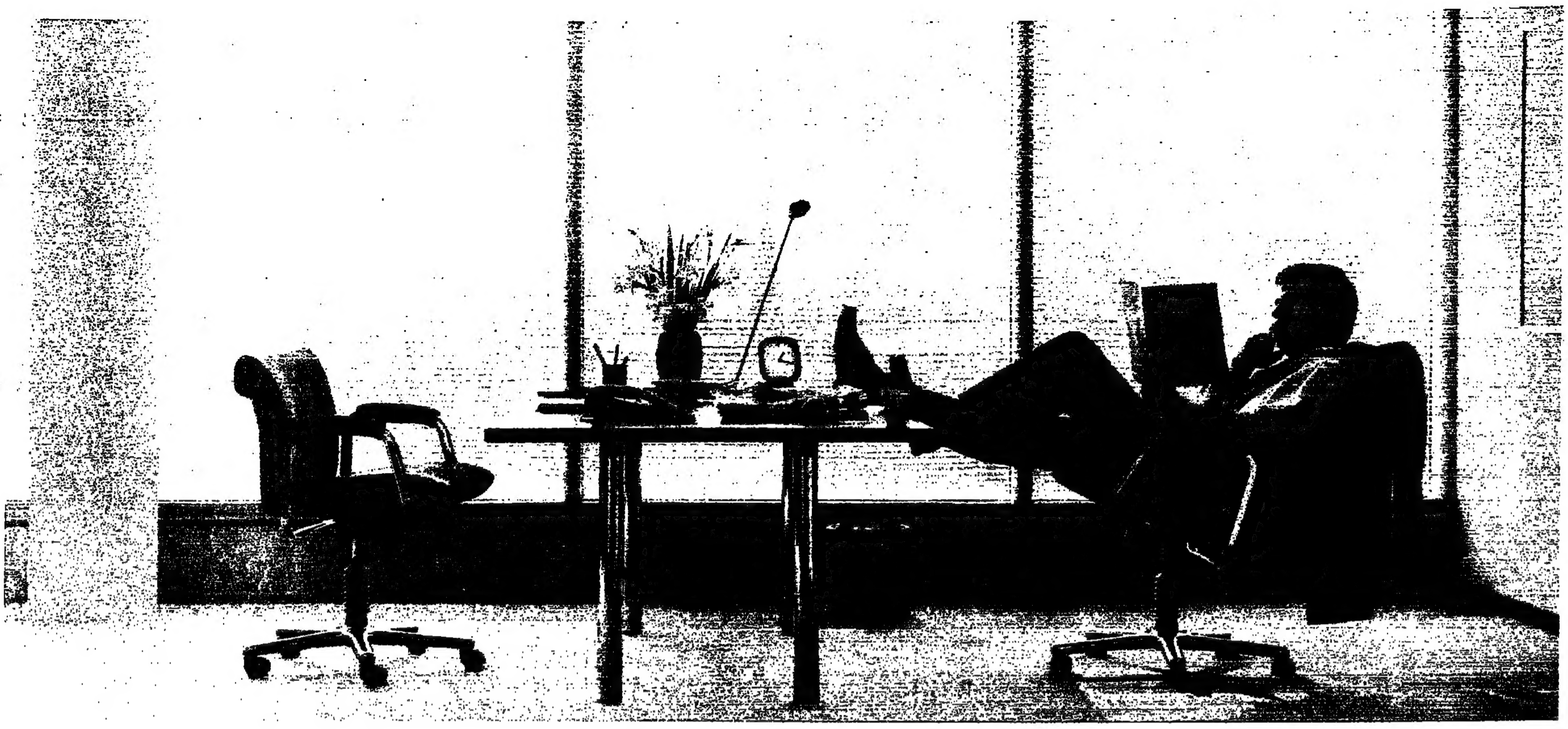
BY RAYMOND SNODDY

AIMS OF INDUSTRY, the free market pressure group, is to complain to the Government about being excluded from advertising on commercial radio or television because the organisation is deemed to be "political."

Aims of Industry, which describes itself as "the free enterprise organisation," is angry because trade unions such as the Transport and General Workers' Union are allowed to advertise, but it is not.

Mr Michael Ivens, director of the organisation, has written to Mr John Whitney, director general of the Independent Broadcasting Authority, asking why the TGWU is allowed to advertise and it is not.

The IBA says trade unions have never been regarded as an excluded category of advertiser because although they campaign politically their primary function "is to cater for the needs of their members on employment matters."



UK NEWS

Drop in producer prices boosts inflation optimisim

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

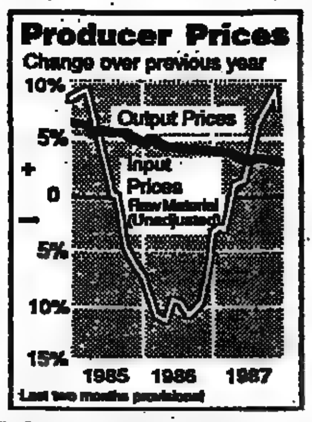
GOVERNMENT hopes of a further fall in the inflation rate over the next few months received a boost yesterday with official figures showing that manufacturing companies are holding down the pace of increase in factory gate prices.

The figures reinforced recent optimism over the economic outlook in London's financial markets and the Bank of England again intervened to limit sterling's rise against other major currencies.

The Bank has bought about \$17bn in other currencies this year to keep the pound relatively stable. Yesterday it bought relatively small amounts of dollars as the pound continued to rise against the US currency and against the D-Mark.

Sterling is being buoyed both by high British interest rates and by the growing City of London consensus that the Government is on course to combine large tax cuts next year with a further reduction in borrowing.

Producer Prices
Change over previous year



Last two months provisional

The Department of Trade and Industry said yesterday that manufacturing companies increased their factory gate prices by 0.2 per cent in September, lower than the rise at the same time last year. The annual pace of increase fell to 3.5 per cent last month from 3.6 per cent in August. Wholesale price inflation has been particularly subdued in the food, drink and tobacco industries, where prices have risen by only 1.6 per cent over the past year. The average increase in other sectors was 4.8 per cent.

The latest figures suggest that manufacturers are continuing to absorb increases in their input costs by cutting profit margins rather than passing them on to customers. After a sharp fall last year, prices of imported raw materials have risen steadily during 1987.

In September, a 0.2 per cent fall in the price of petroleum products and a small reduction in the costs of imported goods helped to limit the increase in overall input costs to 0.1 per cent. Over the past year they have risen by 7.4 per cent.

Most independent forecasters expect the Government to meet its target of a fall in retail price inflation to below 4 per cent by the end of this year. However, most are predicting a renewed upturn in inflation the following year.

Funding plan for housing

BY ANDREW TAYLOR

BRITAIN'S voluntary housing associations will next month launch a new independent investment body to raise private finance from capital markets to build rented homes for the needy.

The new body, to be called the Housing Finance Corporation, will be expected to play a central role in government plans to raise the profile of housing associations by encouraging greater private investment in rented housing.

It hopes to raise £100m from private investors over the next 12 months although sums could become substantially higher

It is being sponsored jointly by the Housing Corporation and the National Federation of Housing Associations. James Capel, the London stockbrokers, and CIPFA Services, the commercial arm of the Chartered Institute of Public Finance and Accountancy, have been appointed to establish the fund.

Its aim will be to channel private investment to housing associations which lack the size or expertise to raise money directly from the stock market.

The new body plans to issue bonds, which would be quoted on the stock exchange, to finance groups of housing association schemes which have been put together in convenient investment packages.

The money will be passed on in the form of a loan to individual associations and will be expected to meet some of the costs of new developments currently funded by government grants

Government plans loyalty oath for Ulster councillors

BY OUR BELFAST CORRESPONDENT

THE GOVERNMENT yesterday took the first steps towards banning supporters of violence from Northern Ireland council chambers.

Mr Tom King, Northern Ireland Secretary, published a discussion document aimed at combatting the influence of politicians in local government who support paramilitary organisations.

A key proposal in the paper is the introduction of a declaration of loyalty which would have to be signed by candidates before future elections to a council or assembly.

The move is clearly designed to hit Sinn Fein, whose members have consistently backed what they see as the right of the IRA to engage in armed conflict.

The party had 59 councillors elected to district councils in 1985, and Unionist-controlled authorities have repeatedly adjourned meetings in protest at their presence.

The discussion paper said the Government acknowledged its duty to try to prevent the "destabilisation of political life in the province by apologists for violence."

The suggested form of declaration would require candidates to "declare and undertake that if elected, I will neither support nor assist the activities of any organisation proscribed by law in Northern Ireland."

Mr King said it was intolerable for people openly to support proscribed organisations whose published and avowed purpose was violence and intimidation.

The new law could be enforced through the civil or criminal courts and its breach could be made a criminal offence resulting in possible disqualification, a jail sentence or a fine.

Mr Danny Morrison, Sinn Fein spokesman, said the party would find a way of tackling the proposal, while Mr Kevin McNamara, Labour's Northern Ireland spokesman, described the proposals as a "gratuitous victory" for the men of violence.

He said the document was a "sweetner" to buy off Unionist opposition to the Anglo-Irish agreement, which gives Dublin a say in the affairs of the province.

The proposals are likely to be raised by the Dublin Government at the next session of the Anglo-Irish ministerial conference on Ulster.

Midsummer makes bid move for Boddington

BY LISA WOOD

MIDSUMMER Leisure, the fast-growing developer and operator of public houses, discotheques and snooker clubs has proposed a reverse takeover of Boddington, the Manchester-based brewer.

Boddington, which has about 560 public houses, described the bid as "most unwelcome."

The proposal involves seven Midsummer shares for every 15 Boddington. On the basis of prices last night this would value each Boddington share at 238p and valuing Boddington as a whole at about £270m. Midsummer, which already has a 2.1 per cent stake in Boddington, has a market capitalisation of close to £100m.

Whitbread Investment, part of Whitbread the brewer, holds 22 per cent of Boddington, a stake which has tended to deter other possible bidders.

While Whitbread has previously tended to back the boards of companies in which it has stakes within the so-called Whitbread "umbrella", Mr Adam Page, Midsummer chairman said yesterday he thought this attitude was changing.

Bank governor's nominee out of Lloyd's poll

BY NICK BUNKER

MR WILLIAM Birch Reynardson, an Oxfordshire landowner, has pulled out of this month's elections to the ruling council of Lloyd's of London after a week of mounting press criticism of his candidacy.

The criticism was directed at the role played in Mr Birch Reynardson's campaign by Mr Robin Leigh-Pemberton, Governor of the Bank of England.

It emerged seven days ago that Mr Leigh-Pemberton was one of 16 members of Lloyd's who had agreed to be named as proposers for Mr Birch Reynardson in his bid to become one of the so-called "external" members of the council.

Lloyd's said without comment last night that Mr Birch Reynardson had notified the secretary to the council yesterday that he was withdrawing his name from the ballot.

Mr Birch Reynardson was in Bermuda on business and could not be contacted. His decision to withdraw surprised his supporters as well as some of his critics within the Lloyd's community.

One close friend, Mr Alan Ogden, managing director of Charles Barker City, the public relations company, said: "Knowing Bill, he is just sick of the whole thing."

Controversy over his campaign centred on the possible conflict of interest inherent in the Governor's personal intervention.

Under the 1982 Lloyd's Act, the Governor has a statutory duty to approve the selection of so-called "nominated" members of the council, who are expert outsiders appointed to counterbalance the influence of professional Lloyd's insurance people.

The Bank also has a more general role of keeping a watching brief over the affairs of Lloyd's.

Some influential members of Lloyd's believed the Governor would compromise his standing as an independent watchdog if he backed individual candidates in council elections.

Amoco plans £88m N Sea gas fields investment

BY LUCY KELLAWAY

AMOCO, the US oil company, announced plans yesterday for an £88.5m investment programme in the southern gas basin of the North Sea.

The company said the investment, which will increase the reserves of the large Leman and Indefatigable gas fields, will create several hundred jobs in the offshore industry next year and in 1989.

Mr Cecil Parkinson, Energy Secretary, who yesterday made his first official trip to the North Sea, welcomed the development which he said would be "good news for the offshore suppliers, who have been going through a very thin time."

He said prospects for the North Sea as a whole were much brighter than last year. So far this year there had been 18 new discoveries, some of which were of encouraging size.

Many companies had already inquired about the next round of offshore licences, Mr Parkinson said. He indicated that the present system, whereby rounds are held every two years, would be continued. Thus the 11th round would probably be announced in the middle of next year.

Leman and Indefatigable are the two largest producing fields in the southern gas basin and together satisfy more than 10 per cent of UK demand. The investments are expected to increase the recoverable reserves of each field by 200bn cu ft.

Amoco said yesterday it planned to build a compression platform in the Leman field, which would create one of the biggest offshore compression facilities in the world. The Indefatigable programme involves a platform and six wells. Orders had already been placed with Matthew Hall and Global Engineering, Amoco said.

Last week Amerada Hess announced an order for its Ivanhoe and Rob Roy fields, while earlier this year Shell and BP announced plans to press ahead with the development of their Kittiwake and Miller fields.

Loans to property companies up by 50%

By Philip Stephens, Economics Correspondent

THE BANK of England yesterday reported a further surge in commercial bank lending to property companies, bringing the increase in the companies' outstanding debt to the banks over the last year to 50 per cent.

In its latest analysis of bank lending to UK residents, the Bank says that property companies "continued to borrow heavily" over the three months to August. Since August 1986 their outstanding borrowings in sterling have risen from £7.5bn to £11.3bn.

The analysis also shows a record increase of £4.5bn in bank lending to the personal sector between June and August which was mainly a reflection of increased mortgage lending. That in turn mirrored both the buoyancy of the housing market and an increase in the banks' share of such lending.

The surge in lending to property companies is likely to be closely studied by the Bank of England to see whether it poses either prudential risks for the lenders or whether it is signalling a possible upsurge in inflation.

At present it remains unclear to what extent the increase reflects a switch in financing techniques by the property companies themselves or excess liquidity in the banking system.

Although there is no indication that the Bank is particularly concerned at present, it is conscious that the secondary banking crisis of the early 1970s had its roots in what was subsequently seen as imprudent lending to property companies.

The personal sector's outstanding debt to the banks for house purchases rose by 30 per cent over the last year to stand at £31.7bn at the end of August. Loans for other purposes rose by nearly 20 per cent to £26.4bn.

Boots in £3m expansion

BOOTS is to spend £3m on expanding production at Nottingham of its anti-inflammatory drug Ibuprofen.

It will increase annual capacity by 50 per cent to more than 3,000 tonnes. The drug is used as a treatment for arthritis and related diseases.

Peter Marsh reports on European fears over future funding

Space row earns Britain a rocket

'SHE [Mrs Thatcher] feels the excitement of space but some of the projects leave her cold due to their Concorde-esque dimension. For all her scientific training, she is more interested in improvements to the rail system than in trips to Mars.'

That comment about the Prime Minister from an MP closely associated with the space programme goes some way to explaining Britain's apparent intention to remain on the sidelines in ambitious international space projects due to be agreed in the next month.

The row over the UK's commitment to space began in earnest on Sunday after Mr Kenneth Clarke, Trade and Industry Minister, said in a television interview that Britain would not be increasing its subscription to the European Space Agency, the 13-nation body that co-ordinates western European's extra-terrestrial activities.

The statement came a month before ESA ministers meet in The Hague to discuss an expanded West European space programme, including a contribution to a US-led international manned space station and an improved version of Ariane, the European satellite launcher.

At that meeting, ESA, of which France and West Germany put up more than half its budget of about £700m a year, is likely to decide roughly to double its spending over the next five years.

Britain's European partners had expected the UK to increase its contribution by a similar level. At present the country spends about £116m a year on civilian space science and technology. Roughly three quarters goes to ESA.

Mr Clarke's comments - in which he called the European agency a "hugely expensive club" and which appeared to have had the support of the Prime Minister - yesterday drew criticism from members of the international space community, many of whom are meeting in Brighton this week for the annual conference of the International Astronautical Federation.

This body, meeting in Britain for only the third time in 38 years, could hardly have had a clearer indication of the UK's views on space than the country's failure to produce a minister to address the conference's opening ceremony.

There was a further snub after it was announced that Mr Clarke, who should have been attending a conference reception in Brighton last night, was pulling out, arguing pressing government business.

Mr James Fletcher, administrator of the US National Aeronautics and Space Administration, yesterday called Britain's decision on space spending "unfortunate." He said the US had been counting on UK support of the US-led international space station.

Nasa chief James Fletcher: criticised UK decision

Professor Reimar Luest, ESA director-general, said he disagreed with Mr Clarke's views about the cost of running the agency. He added that the original impetus for an enlarged West European space programme came from a decision by ESA ministers at a meeting in Rome nearly three years ago which had, at that time, Britain's full support.

Giving a UK industry view of Mr Clarke's statement, Mr John Holt, managing director of space and communications at British Aerospace, said: 'If this really is the final word [on an increase in Britain's space spending] then it will be an opportunity missed for taking a long-term view about a critically important area of technology.'

One theory was that Mr Clarke's statement may still leave the UK room for manoeuvre at the meeting in The Hague.

'It could be a hard-hitting start to negotiations, signalling that Britain might be prepared to agree some extra money, though not all that ESA wants,' said Mr Roy Gibson, former head of the British National Space Centre, who resigned in August complaining about lack of government support.

Supporting that theory is that Mr Clarke's comments came while the Government is still formally engaged in consultations with industry over its space budget.

Next Monday, the consultations come to a head when space officials are due to meet in London members of Britain's Advisory Council on Science and Technology to hold a special session on space.

Profit-share companies 'perform better'

BY PHILIP BASSETT, LABOUR EDITOR

A NEW study on company profit sharing schemes acknowledges the traditional reasons for their introduction, of generating commitment and employee involvement, but suggests another, that companies with profit-sharing schemes perform better than those without.

Profit-sharing has increased significantly in the UK over the last 10 to 15 years, according to the study to be published at the end of this month by Mr Wallace Bell, formerly director of the Industrial Participation Association, and Dr Charles Hanson, lecturer in economics at Newcastle University.

However, the study does not primarily measure the extent of profit-sharing but tries to examine the economic performance of companies with schemes.

Looking at companies with schemes, the study finds that "the economic performance of profit-sharing companies, taken as a group, was superior by a significant degree to that of non-profit sharers as a group."

PROFIT-SHARING & NON-PROFIT SHARING COMPANIES
Financial performance 1978-85

		Profit-sharing companies	Non-profit sharing companies	Difference: Profit-sharers above non profit-sharers Actual	%
PROFITABILITY	Return on equity (%)	25.1	19.9	5.2	26.1
	Return on capital employed (%)	20.6	15.5	5.1	32.9
	Earnings per share (p)	16.3	12.8	3.5	27.3
	Return on sales (%)	8.4	5.6	2.8	50.0
GROWTH	Sales - annual (%)	15.5	13.7	1.8	13.1
	- cumulative (%)	214.7	178.5	36.2	20.3
	Equity - annual (%)	17.6	16.0	1.6	10.0
	- cumulative (%)	262.1	223.2	38.9	17.4
	Profit - annual (%)	13.6	9.7	3.9	40.2
	- cumulative (%)	161.8	105.9	55.9	52.8
INVESTOR RETURNS	Dividends per share (p)	5.2	4.9	0.3	6.1
	Total annual returns(%)	474.1	266.0	208.1	78.2

The authors are devotees of profit-sharing but they are much more sceptical about some forms of financial participation by employees.

The study says that many companies now successfully operating profit-sharing schemes have only been able to do so because they have made other moves on employee involvement.

It argues that tax concessions, such as those offered with profit-related pay, may induce some companies to introduce profit-sharing before they are ready for it.

Profit Sharing and Profitability: How Profit Sharing Promotes Business Success. To be published on October 26 by Kogan Page in association with the Institute of Personnel Management. £17.95.

Downey to quit as head of Audit Office

By Terry Dodsworth, Industrial Editor

SIR GORDON DOWNEY, the Comptroller and Auditor General, is to retire at the end of this year after a six-year spell in office during which he has presided over sweeping changes in the National Audit Office.

Although there is no set retirement date for the Comptroller, who is appointed by the Queen, Sir Gordon said yesterday that he had decided to depart just short of his 60th birthday to pursue other activities.

The National Audit Office was created after a parliamentary move in 1983 to make the former Exchequer and Audit Department independent of the Government.

Sir Gordon has since taken a number of steps to sharpen up surveillance of government departments. The most significant has been the emphasis given to value-for-money reports on government activities and various public bodies.

P&O chairman spells out ship officers' duty

By Kevin Brown, Transport Correspondent

SIR Jeffrey Sterling, chairman of Peninsular and Oriental Steam Navigation, yesterday wrote to all staff reminding them that prime responsibility for the safety of the company's ships lies with their officers.

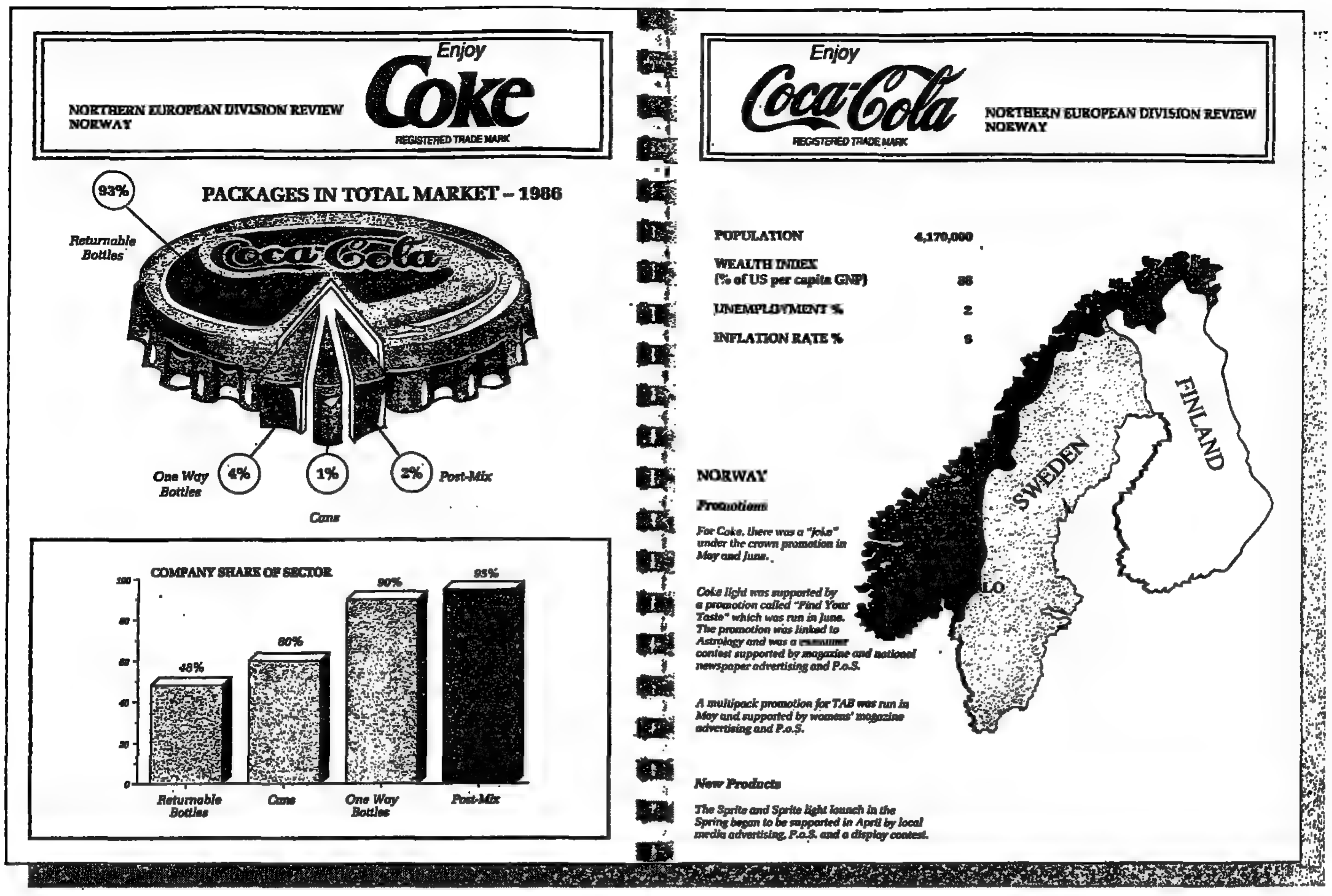
The reminder follows the return of inquest verdicts of unlawful killing on 187 victims of the Herald of Free Enterprise vehicle ferry disaster.

In a letter to the Financial Times, Sir Jeffrey says P & O has always accepted corporate responsibility for the loss of the Herald, even though it acquired Townsend Car Ferries, which owned the ship, only six weeks before the accident.

Sir Jeffrey makes clear, however, that he is opposed to criminal charges against those directly involved in the accident.

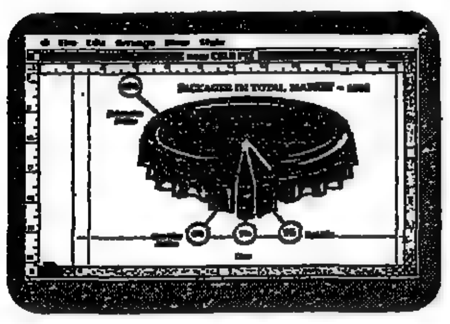
Both the public inquiry and Mr Richard Sturt, the coroner, identified three men as the immediate cause of the accident - Mr David Lewry, master of the Herald; Mr Leslie Sabel, first officer; and Mr Marc Stanley, bosun.

Macintosh stops Coke documents going flat.



The Coca-Cola Company has spent over 100 years and many millions of dollars protecting their trademark.

So when it appears in documents, it has to be reproduced accurately.



Using an Apple™ DeskTop Publishing System gives Coca-Cola Northern Europe the clarity and definition they require for their exceedingly complicated logo.

And with software such as CricketDraw™ and PageMaker,™ Coca-Cola Northern Europe has been able to create presentations that are much more presentable.

Apple provides all the subtle tints and tones, typography and graphics that you would expect from a professional printer.

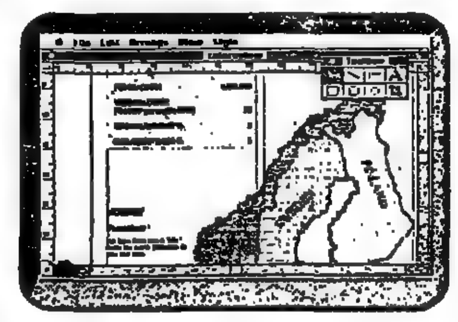
But it isn't just Coca-Cola Northern Europe that's putting more fizz into their documentation.

Over 10,000 Apple DeskTop Publishing Systems are in use in the UK today producing everything from standard forms to technical manuals, simple memos to major documents and newsletters to newspapers.

This may be because the Apple Macintosh™ is a machine that works the way you work so you spend less time learning how to operate it and more time being productive.

Or it may be because Apple has more publishing and graphics software to choose from than any other system with an almost endless variety of typefaces, styles and sizes.

It could also be the startling reproduction of Apple's industry standard printer, the LaserWriter™ Plus, or the fact that Apple can deliver your message across the office or across the world.



However, if you require more proof that Apple DeskTop Publishing will make your business more professional, send us a page from one of your documents and we'll re-do it free of charge.

And up until October 16 Apple are offering a complete DeskTop Publishing System including a Macintosh SE, a LaserWriter Plus printer, and all the software for text, graphics and page design for only £8,495.

As Coca-Cola Northern Europe discovered, Apple DeskTop Publishing is as close as you can get to the real thing.

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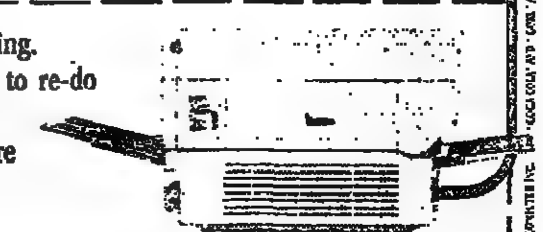
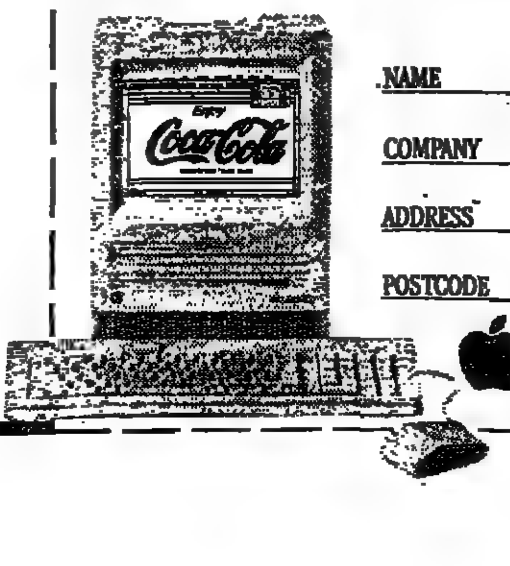
☐ I also enclose a page from one of my documents for you to re-do free of charge. Post to: Apple Computer UK Limited, FREEPOST, Information Centre, Eastman Way, Hemel Hempstead, Hertfordshire HP2 4BR or dial 100 and ask for Freefone Apple.





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UK NEWS

Rover rejects buyout and will close Scammell plant

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

ROVER GROUP has turned down a potential management-led buyout of some of the operations of its Scammell special heavy truck business.

It will close the factory at Watford, Hertfordshire, as previously planned, with the loss of all 600 jobs.

The state-owned group said yesterday that proposals put forward by the management group, led by Mr Vic Wilkes, Scammell managing director, were not commercially acceptable.

Mr Wilkes said: "I am very disappointed but not terribly surprised." There was nothing else the management group could do to save some of the Scammell business.

Rover announced in February that Scammell was to close in about 18 months as part of the further reorganisation of Leyland Trucks, the parent organisation, to prepare the business for sale to Daf Trucks of the Netherlands.

Daf is to keep the Scammell name. Those of the Watford operations that involve the assembly of trucks up to 50 tonnes gross weight will be transferred to the Dutch group's factory at Leyland, Lancashire.

Mr Wilkes hoped to be able to assemble trucks of more than 50 tonnes and up to 300 tonnes on part of the sprawling Watford site.

He had estimated that about 100 jobs would be saved if there was demand for about 200 trucks a year and many employees had offered to back the scheme by contributing redundancy payments.

Mr Wilkes, 49, who has been at Scammell for about four years, said he had no plans to move to Daf after the closure.

Scammell has been building specialist heavy vehicles, such as tank transporters, fire engines and massive trucks, at Watford since 1921.

Many of the employees have worked for the company for 25 years.

Rover owns the freehold to about half the site, which is in an area of soaring property values. Watford council owns the rest.

There have been several other approaches about Scammell but Rover has had no negotiations except with the management group.

Among the other interested parties is Mr David J.B.Brown, owner of the Artix dumptruck business, who is front runner to acquire General Motors' Bedford truck factory at Dunstable, Bedfordshire.

It is thought that Mr Brown might be interested in transferring some of the redundant Scammell operations to Dunstable when he takes it over.

However, the possibility remains that Daf might change its mind and take all the Scammell business to Lancashire.

Outsider ban 'goes too far'

BY RICHARD WATERS

FEARS that the independence of audit firms would be undermined if they were allowed to have outside shareholders are misplaced, according to accountants Touche Ross.

In a submission to the Department of Trade and Industry, the firm has suggested bringing in regulations to restrict the influence of outsiders rather than banning them altogether. That is an idea which last week won the support of the Institute of Chartered Accountants in England and Wales.

Touche Ross recommends a limit, probably of 5 per cent, on the proportion of shares that can be held by any outsider and a mechanism to allow a regulator to intervene directly if it thinks a firm's independence is at stake.

The large accounting firms, with the exception of Peat Marwick McLintock, agree that they should be allowed access to outside equity capital. That would give them a greater opportunity to expand further into financial services than they have done already.

Mr Michael Blackburn, managing partner of Touche Ross said: "There is a danger that the accounting profession may not be able to realise its ambitions in the next decade if it is not fighting on level ground."

In its submission, Touche Ross said the power to oversee shareholdings in accounting firms should be delegated to the joint monitoring board currently being set up by Britain's three chartered accountancy bodies to monitor the quality of audits.

This body, which would have outside representatives, would have the same powers in relation to the independence of accountants as the Independent Broadcast Authority has regarding broadcasting companies.

London Weekend Television, for instance, has an upper limit on the proportion of its shares that can be owned by any one organisation while Television South West restricts voting rights, said Touche Ross.

Notts colliery's future is threatened

BY MAURICE SAMUELSON

THE FUTURE of Linby Colliery, Nottinghamshire, which employs 800 miners, is in doubt because of poor geological conditions which are reducing production, British Coal confirmed yesterday.

Mr Albert Wheeler, British Coal's area director, has invited the Union of Democratic Mineworkers to send its engineers to the pit to form their own assessment of its prospects.

Roof conditions are said to have been deteriorating since July and with the remaining limited reserves also difficult to mine, British Coal says closure cannot be ruled out, although no recommendations have yet been made.

● After sinking the first shaft at the Asfordby super-pit in the Belvoir coalfield, near Melton Mowbray, Leicestershire, miners have dug out 180 tonnes of the first coal from the pit.

Asfordby, which is planned to produce 3m tonnes a year, is to become one of the leading pits in Europe when full production starts in the 1990s.

Car trader body seeks law against malpractice

By John Griffiths

THE MOTOR Agents Association said yesterday it was ready to sponsor a private members' bill in Parliament to impose a clampdown on rogue traders.

The association, which represents about 13,000 retail motor trade outlets, was responding to the latest in a series of damning reports on trade malpractice.

Council officers responsible for trading standards have reached the end of the road in trying to tackle abuses in the car trade, four local authority organisations said yesterday in a joint statement as they presented their latest report.

Called Tackling Abuses in the Motor Trade, it was commissioned by the Association of Metropolitan Authorities, the Association of County Councils, the Association of District Councils and the Convention of Scottish Local Authorities. It was prepared by the local authorities co-ordinating body on trading standards.

The report claimed that consumer complaints about the motor trade now take up the equivalent of one day a week for each of Britain's 1,500 trading standards officers.

Commenting on the report, the MAA said it accepted that: "there is undoubtedly a most undesirable element at the wrong end of the trade" but it questioned the report's fairness.

The MAA said it was prepared to seek a sponsoring MP for a bill to impose, as a priority, a legally enforceable code of practice on all motor traders.

The local authorities' report condemned the motor trade in a number of areas, including:

● "Clocking" - the turning back of milometers - allegedly being carried out on one in five used cars.

● 40,000 MoT certificates altered or completed fraudulently each year.

● A Growing number of motor traders masquerading as private consumers and "thus evading legislation meant to protect the public." One estimate is that almost 8 per cent of all newspaper car sales advertisements are placed by undisclosed business traders, said the report.

● Growing numbers of unroadworthy cars being sold.

David Fishlock on lessons of the Windscale accident in 1957

Sombre anniversary for N-industry

ENGINEERING - an inexact science - has always made progress through failure, accident and trouble. Nuclear engineering is no exception.

"The trouble with the nuclear industry is that it does not have enough accidents," a Rolls-Royce director remarked at the time of the Three Mile Island reactor accident in the US in 1979. "The aircraft industry has a lot of accidents and we learn from every one."

In 45 years since the world's first reactor operated near Chicago in 1942, the nuclear industry has suffered only about a dozen serious accidents at land-based reactors.

First on record occurred in Cumbria in October 1957, when one of two 'piles' built to make plutonium for Britain's nuclear weapons caught fire and burned furiously for two days.

The Windscale fire, finally extinguished 30 years ago yesterday, wrought profound changes in the organisation and management of nuclear energy in Britain.

Last week, Mr John Collier, chairman of the UK Atomic Energy Authority, announced that tens of millions of pounds were to be spent over the next 10 years to ensure that the abandoned Windscale piles remain safe.

The essential difference between those piles and the reactors that followed is that the piles had no pressure vessel to help raise the pressure, as a chemical reactor does. The Windscale piles were simply nuclear furnaces, designed mainly to transmute uranium into a new element, plutonium. They generated no electricity and were cooled by air, blown up 400 ft chimneys into the atmosphere.

Each pile was an 80ft tall stack of graphite (carbon) bricks, criss-crossed by channels in which uranium rods could be placed for a few weeks. Each was shrouded in concrete to keep radiation safely inside.

John Collier: announced 10-year safety plan

On October 10 1957, operators on Windscale number one pile were conducting a routine operation, under the direction of Mr Ron Gausden, pile manager.

The routine was known as a 'Wigner release,' after Eugene Wigner, the Princeton physicist who had shown how energetic neutrons released in the nuclear furnace could knock carbon atoms out of their natural positions in the bricks. Each displaced atom became in effect a store of energy.

If that energy was not released regularly in a controlled way, by an annealing process that gave displaced atoms the chance to shuffle back into place, there was a danger that their stored energy might be released in a rush, raising parts of the pile to a high temperature.

All that was known to Mr Christopher (later Lord) Hinton when he designed the piles in 1947. Indeed, even a decade later, graphite, although crucial to the piles and to Britain's first two generations of nuclear reactors, was a little understood engineering material. An unexpected surge of energy in Number One Pile in 1952 first alerted its designers to the dangers.

It occurred again on October 7 1957, when the pile was shut down and its operators were making their eighth routine Wigner release. For the operation they would simply shut down the cooling air flow, allowing the pile temperature to rise and anneal out the strains from its graphite bricks.

But this time they judged from temperature readings that the first attempt had failed to release all the stored energy. So they quickly tried it again. That unleashed a surge of energy which, the subsequent inquiry concluded, probably burst open one of more uranium fuel elements.

It seems likely that the naked uranium probably smouldered, causing more fuel to burst. By October 10 the fire had engulfed about 150 fuel channels containing about eight tonnes of uranium.

First the staff attempted to discharge the burning fuel and found it jammed in the channels. Then they tried to create a fire-break by discharging red hot fuel from channels all round the fire. But the pile temperature refused to fall.

All this time the burning graphite was being stoked like coke in a smithy by the coolant air, which they dared not shut off for fear that the pile temperature would soar still higher.

Next, they tried flooding the pile with carbon dioxide gas, but the fire was already too hot to be quenched.

All that remained was to flood the pile with water - with the risk of a steam explosion cracking it open and releasing radiation, as happened at Chernobyl. The managers poured water in for 30 hours until, by October 12, the pile was cold.

The official report to Prime Minister Mr Harold Macmillan less than a month later identified two reasons for the fire.

One was a design fault: the piles had too few instruments to tell its operators just what was happening during a Wigner release.

The other was that the operators had misjudged what little information they had gleaned, but nobody was disciplined over the accident.

Most people remember the incident for the ban on drinking milk over an area encompassing some 600 farms. A report by the Medical Research Council in November 1957 found it "in the highest degree unlikely" that anyone was directly harmed by the nuclear blaze.

Better understanding of the effects of radiation on public health over the past 30 years suggests that perhaps 30 or so people might contract cancer as a result of the extra radiation released in the blaze, but they would be indistinguishable from an estimated 1m deaths from cancer or other reasons over the same period in the exposed population.

What has emerged from the official history of the UK Atomic Energy Authority by Prof Margaret Gowing is how thinly stretched Britain's engineering resources were in pursuit of its dual nuclear weapons and nuclear power programme.

The same tiny team led by Lord Hinton which organised the wartime shell-filling industry repeated its success in laying foundations for the postwar nuclear industry. There is little doubt that the team was heavily overloaded.

A series of inquiries in 1957-58, led by Sir Alexander Fleck, then chairman of Imperial Chemical Industries, laid the foundation for a big expansion in nuclear organisation and management, and a new mechanism for regulating nuclear activity. Nothing anywhere as near as severe as the Windscale fire has happened in the past three decades of British nuclear expansion.

Journalists seek to protect independence of FT

BY RAYMOND SNODDY

FINANCIAL TIMES journalists yesterday launched a campaign to secure the independence of the newspaper in the event of a hostile takeover of Pearson, the information, banking and china group, which publishes the paper.

Between 2,000 and 3,000 letters are being sent to readers in the UK and overseas warning them that the value of the FT would decline if it passed into the hands "of a proprietor who took an interventionist role in its editorial direction."

The campaign follows the news that Mr Rupert Murdoch, the publisher who already owns five national newspapers in the UK, has bought nearly 15 per cent of Pearson.

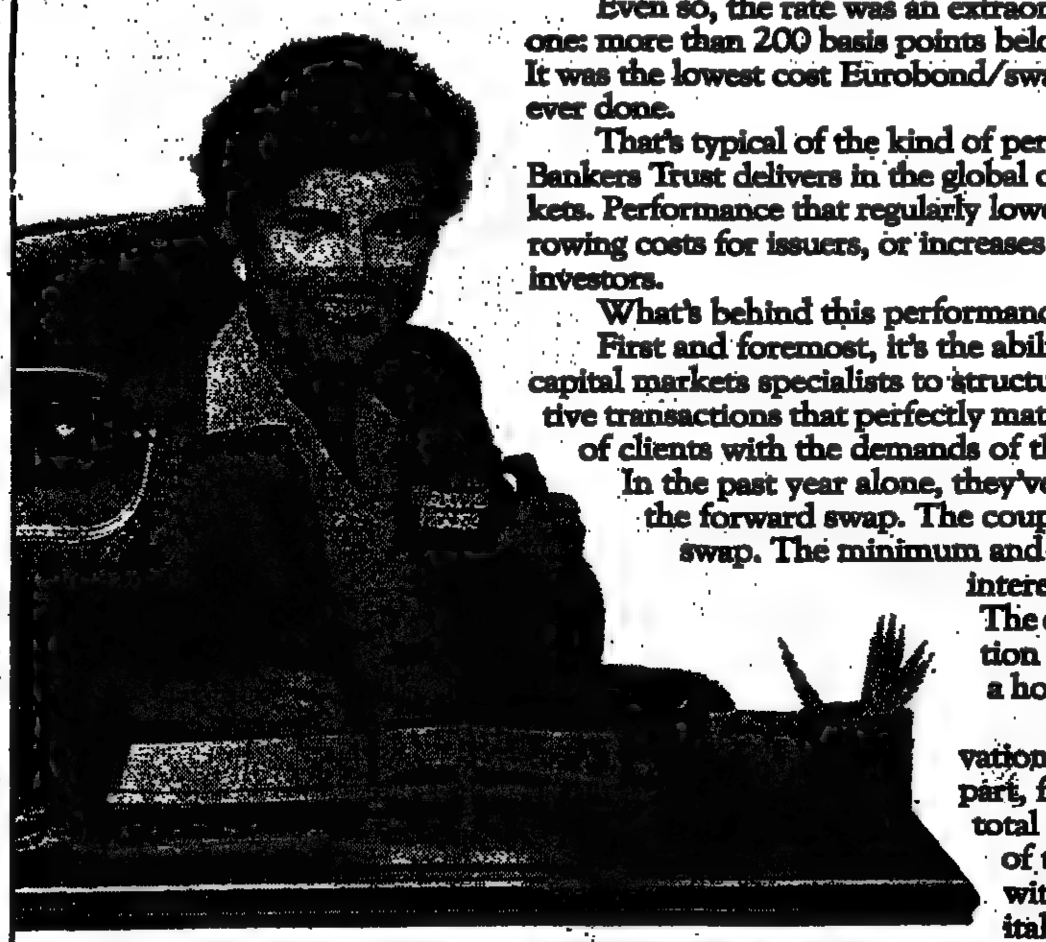
The journalists' letter argues that the value of the FT largely rests on the fact that Pearson respects the paper's independence and "makes no attempt to influence editorial priorities or content."

If, however, a successful bid were to be made for Pearson, the journalists argue that "it would be preferable and entirely possible for our profitable newspaper to be owned by a broadly based consortium of financial interests - on the lines of the recently launched Independent newspaper - rather than by a single proprietor."

Mr Alan Pike, father (chairman) of the National Union of Journalists chapel (office branch) at the FT, said yesterday that the campaign had already struck a chord with a number of institutions.

If your bank has never delivered money at 200 points below LIBOR, try the one that has.

Bankers Trust.



Other issuers for which Bankers Trust has carried out financings at rates below LIBOR include Philip Morris, for which we were co-book runner on a (US)$100 million three-year, fixed-rate Eurobond issue that was swapped into floating rate dollars. The issue was part of a refinancing program related to Philip Morris' acquisition of General Foods.

True, the credit was an extraordinarily good one: SEK (Swedish Export Credit).

Even so, the rate was an extraordinarily low one: more than 200 basis points below LIBOR. It was the lowest cost Eurobond/swap issue ever done.

That's typical of the kind of performance Bankers Trust delivers in the global capital markets. Performance that regularly lowers borrowing costs for issuers, or increases yield for investors.

What's behind this performance?

First and foremost, it's the ability of our capital markets specialists to structure innovative transactions that perfectly match the needs of clients with the demands of the market.

In the past year alone, they've developed the forward swap. The coupon option swap. The minimum and maximum interest rate swap. The currency option swap. And a host of others.

Such innovation springs, in part, from the total integration of the people within the capital markets organization—the swaps experts, options and futures specialists and Eurobond originators—with those in trading and syndication. At Bankers Trust, they talk across desks, not across departments.

Equally important is the integration of our worldwide capital markets locations, supported by our global distribution network.

Easing the process even more is our proprietary software and information systems which allow us to complete even the most complicated transactions with unusual speed and at low cost.

Small wonder, then, that in a recent *Euromoney* poll, corporate and sovereign swaps users worldwide voted Bankers Trust to be the very best overall performer in the swaps market. Bar none.

Today, as worldwide merchant bankers, Bankers Trust enjoys a commanding position in investment banking, corporate finance, and money, securities and currency trading. Since we have no vested interest in any of these forms of financing, we can select, combine or modify them in ways that best suit our customers' needs. So an increasing number of clients are looking to us for services like these:

Management Buyouts—As a leader in structuring and arranging the financing for management buyouts, Bankers Trust not only can provide the senior debt, but also can place the subordinated debt and equity.

Eurosecurities—As a major force in the Euromarkets, Bankers Trust lead-managed 51 Eurosecurity offerings totaling $7 billion last year. We are one of the most active participants in the secondary market, where we are a market-maker in over 600 different Eurosecurities.

Options—Bankers Trust is a leader in interest rate and currency options, making markets in options on both short- and long-term instruments. Our strength as a market-maker enables us to design option packages specifically tailored to our customers' investment or financing requirements.

Our success in these highly competitive areas is really our clients' success. If you'd like to share in it, come to the bank that makes it a reality: Bankers Trust.

Over the last two years, Bankers Trust has lead-managed ten issues for SEK. We were book runner not only on their history-making (US)$200 million Eurobond issue at more than 200 basis points below LIBOR, but also on their (US)$200 million 40-year Eurobond issue—the longest term ever done.

Bankers Trust Company

Merchant banking, worldwide.

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UK APPOINTMENTS

Changes at Swedish Match

Mr Alan Fletcher, president of Wilkinson Sword, has been appointed executive vice president and group president's deputy, of new parent company SWEDISH MATCH's consumer products division worldwide. Mr Fletcher, who joined Wilkinson Sword in 1982 and has been president since May 1985, will now take on responsibility for the match companies in Asia, Africa, and Australia, for lighters and paper products as well as Wilkinson Sword's products worldwide. His appointment comes just six months after Swedish Match's acquisition of Wilkinson Sword from Allegheny International.

*

Mr Charles Lindsell has been appointed an additional deputy managing director at HENDERSON PENSION FUND MANAGEMENT. **Ms Anthea Nugent** becomes a director. **Ms Davina Walker** has been appointed an investment director of Henderson Administration.

*

WESTERN MOTOR HOLDINGS has appointed **Mr Richard Farr** as finance director. He was a senior manager with Price Waterhouse.

*

STYLO has appointed **Mr R. Paul Ziff** as vice-chairman.

Mr M.J.G. Henderson, group chief executive of Cookson Group, has joined the board of TIOXIDE GROUP. **Mr D.S. Minns**, group planning manager, joins the board as business development director. **Mr J.R. Minns**, group treasurer, becomes finance director. **Mr A. de Diego**, director general, Tioxide Espana, Mr Minns, and **Dr D.R. Pearce**, general manager, TUKL pigment division, all become members of the group executive committee.

*

Mrs Gill Lawson has been appointed director of human resources for the COURTAULDS GROUP.

*

Mr Peter D. Jones has been appointed from a director and head of research at GREENWELL MONTAGU STOCKBROKERS, part of Midland Bank's UK banking sector.

*

Lord Erskine of Rerrick has been appointed chairman of CURRENCY ADVISORY SERVICES. **Mr Derek N. Maynard** becomes a non-executive director.

*

Mr Keith Saunders has been appointed divisional director, property, of W.H. SMITH & SON. He will join the board of Do It All, the W.H. Smith do-it-yourself subsidiary. He succeeds **Mr Hugh McNearnie**, who will remain on the board until he retires next June. Mr McNearnie has been appointed non-executive vice-chairman of Barclays de Zoete Wedd Property Investment Management. Mr Saunders was Smith's estate manager.

*

REX STEWART, Bristol, has appointed **Mr Neil Levings** as managing director of its Birmingham office. He was client services director with Countrywide Communications, Banbury. His predecessor, **Mr Peter Philips**, has been promoted to deputy chairman of the agency.

*

WESTPAC BANKING CORPORATION has appointed **Mr Duncan Goldie-Morrison** head of swaps in London. He was employed by Kleinwort Benson as director responsible for its swaps activities in London.

*

NEIL AND SPENCER, Horsham, has appointed **Mr Peter Tarrant** as managing director. He joins from Wellman Bibby, where he was managing director responsible for three sites. **Mr John Nightingale** is promoted to sales and marketing director. **Mr Laurie Stiles** joins as technical director from Martinair; **Mr Lawrence Barton** rejoins as production director from Stone International; and **Mr Lynn Williams** joins as financial director from Braithwaite Engineers.

*

Mr John Totty has been appointed managing director of the TOTTY BUILDING GROUP and of its subsidiary companies. He was marketing director, and is the fifth generation of the family.

*

BRENT CHEMICALS has appointed **Mr Rick Pelecki** as sales director of its Swale Winnett company.

*

Mr George G. Gwilt, managing director and actuary of STANDARD LIFE, is to retire after the annual meeting. **Mr A. Scott Bell**, general manager (finance), will succeed him.

*

Mr Roger Barnes has been appointed technical director of MONARCH RESOURCES. He joins from Anglovaal where he was the consulting mining engineer responsible for the underground operations and services of four mining companies.

CONTRACTS

£10m projects for Isis Construction

ISIS CONSTRUCTION has won contracts totalling £10m. In Swindon the company has been awarded a design, manage and construct contract for Metal Box. Isis will alter and extend the Metal Box 103 Building at Cheney Manor Industrial Estate undertaking demolition and repairs to the building fabric, together with mechanical and engineering and other specialist service installations. The contract value is £1.6m.

Isis has been awarded the design and construct contract for a 5,000 sq metre Tesco Superstore at Martins Heron, Bracknell, Berkshire. The contract includes fitting out and external works, plus a local community centre and separate small shop units. The company has also been appointed by Rochester Upon Medway City Council to build a two-storey office/workshop; single-storey stores and an ambulance station at the Civic Centre in Strood. The contract value is £2m. Minor works contracts awarded amount to £500,000.

COSTAIN CONSTRUCTION has been awarded an £8m contract by The Brent Walker Group to build a 1,600 spaces nine split-level reinforced concrete car park, complete with integral 10 -screen cinema complex on one level, at Brighton Marina. The car park structure, the top level of which will be used as a coach park, will be supported on piled foundations and be linked into the existing elevated road system at the Marina. The project has a duration of 65 weeks and is scheduled for completion by the end of 1988.

*

Dedicated distribution specialist NCCS has signed a £1.8m distribution contract with **BRITVIC CORONA**, the UK soft drinks company, whose products include international brands such as Pepsi, 7-Up and Canada Dry.

NCCS will be responsible for the trunking and bottled soft drinks from three of Britvic Corona's manufacturing plants - two at Leeds and one at Chelmsford - to depots across the country. Under the terms of the contract NCCS has purchased Britvic Corona's fleet of 25 38-tonne ERF tractor units, and 38 40ft curtain-sided, tri-axle trailers with air suspension.

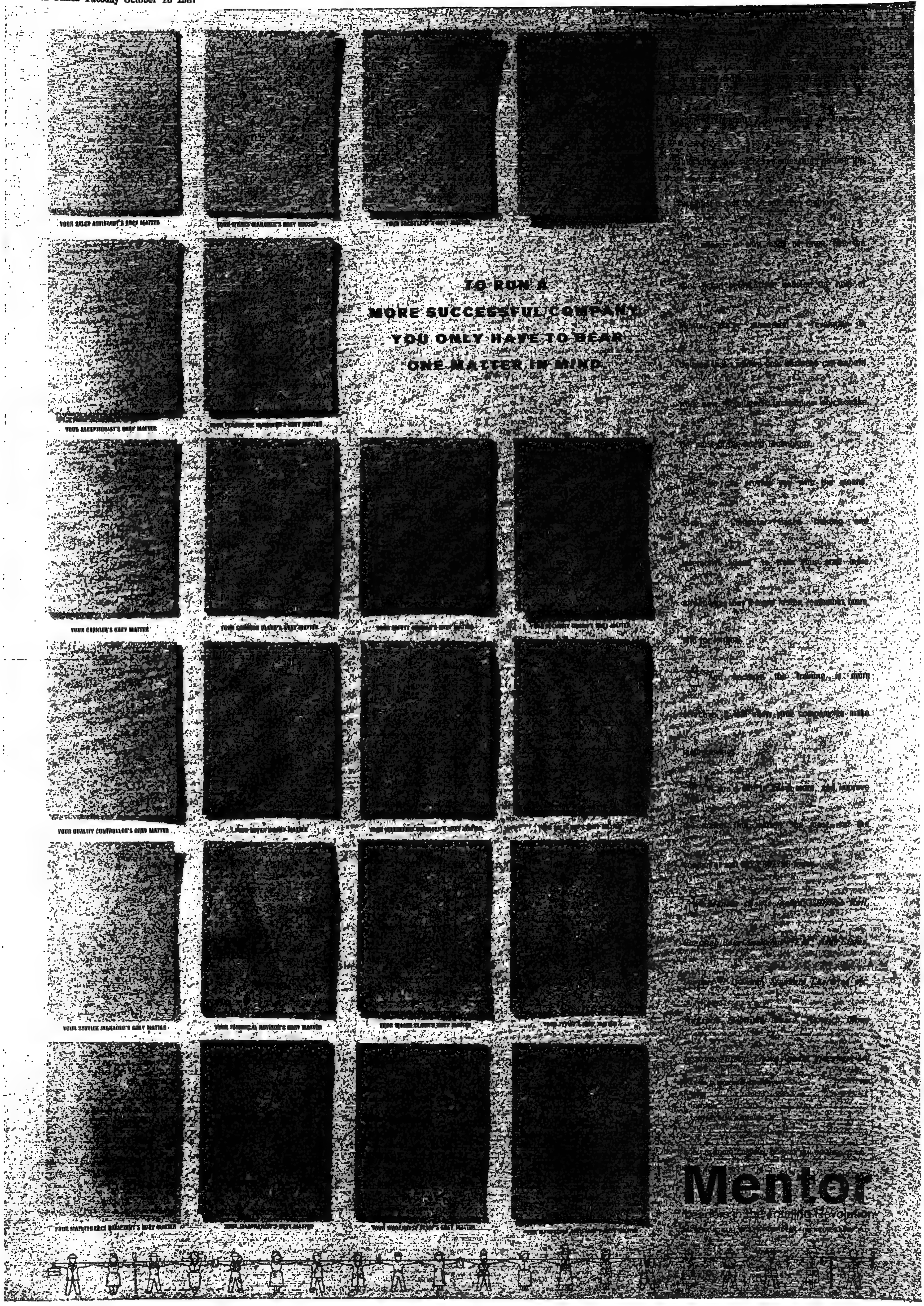
NCCS will also be providing 40 drivers, management on three sites, and full garage and maintenance services. The move by Britvic Corona to contract out its distribution is in response to the trend away from returnable packaging for soft drinks. According to the company the increased use of non-returnable bottles means more one-way deliveries which, Britvic Corona feels, are handled more cost-effectively by a dedicated third party distributor. Britvic Corona plans to use the capital released from the sale of the fleet to NCCS for re-investment into the mainstream activities of the business.

*

SHEPHERD HILL & CO has won its first opencast coal contract since 1977. British Coal has placed the order worth £3.2m for the recovery of 260,240 tonne of coal at Telford. Work has begun at the Newdale site adjacent to the M54 motorway on the 21- month contract which will require the excavation of 3m cubic metres of overburden. When completed it will release one of the last areas of land to be exploited by Telford Development Corporation for roads, housing and industrial use.

*

SQUARE D has won a £150,000 order to supply electrical distribution equipment for the National Exhibition Centre at Birmingham. The Swindon- based company will supply busbar trunking which will be installed in a new hall that is to be built at the NEC as part of a plan to double the existing floor space by the end of the century. Mr Phil Dingle, Square D's marketing supervisor (distribution equipment products), said the order represented a breakthrough for Square D. The new hall at the NEC will measure some 150 metres by 200 metres and is phase one of the Centre's expansion programme. The order was actually placed through the electrical contractor Drake and Scull Engineering of Birmingham.



YOUR SALES ASSISTANT'S GREY MATTER
YOUR RECEPTIONIST'S GREY MATTER
YOUR CASHIER'S GREY MATTER
YOUR QUALITY CONTROLLER'S GREY MATTER
YOUR SERVICE MANAGER'S GREY MATTER
TO RUN A
MORE SUCCESSFUL COMPANY
YOU ONLY HAVE TO BEAR
ONE MATTER IN MIND.
Mentor

Peter Marsh examines how West Germany's chemicals giants are tackling the problem of Rhine pollution

The kiss of life for Lorelei

"AFTER Sandoz, the world looks different," comments Wulf Trauzettel, head of the pollution control centre at BASF, the West German chemicals giant.

Trauzettel is referring to the fire last November at a Basel warehouse owned by Sandoz, the Swiss chemicals company, which led to the Rhine being severely polluted by mercury and other toxic chemicals.

In reinforcing the already strong concern in West Germany about threats to the environment, the incident has put more pressure on the big three German chemicals concerns - BASF, Bayer and Hoechst - to deal adequately with waste materials.

Trauzettel is in charge of a monitoring station which serves as a striking example of this preoccupation with environmental protection. It is responsible for policing outbreaks of pollution from BASF's main chemical complex at Ludwigshafen, and at the merest hint of an alarm depatches a car laden with scientific instruments to analyse the exact nature of the spillage.

The three German chemical giants point out that in pollution control, on which between them they spend about DM4.5bn a year, they have generally a good record compared with chemicals concerns in other countries.

Indeed, such has been their enthusiasm in this area that the extra cash which the companies have to spend on environmental-protection measures - which are often stipulated by West Germany's extremely tough anti-pollution laws - may ultimately damage the competitiveness of the West German chemicals industry, warns Wolfgang Jentzsch, a BASF director.

Jentzsch says that as long as legislators give the industry due warning of new legislation "then we can live with it." But he says: "If the laws go too far then we may be put at a real disadvantage."

BASF is especially keen to defend the record of the chemicals industry on emissions into the Rhine. "The quality of the river is better than it has been for 50-100 years," says Jentzsch. "The Sandoz accident was bad but it has thrown back the biological recovery of the river by only six months."

BASF's Ludwigshafen complex, which lies along a five-kilometre stretch of the Rhine some 200km downstream of the infamous Sandoz warehouse, incorporates 1,800 separate plants and has 50,000 employees, making it one of the world's biggest concentrations of manufacturing industry. Total output of chemicals from the complex last year was 7.8m tonnes.

Trauzettel's unit - which is conveniently sited next to one of the complex's two fire stations - is continually on guard for reports from either the public or BASF's own workers of unacceptable pollution levels.

Last year, the unit, which is shortly to move to an enlarged control room under construction at a cost of DM20m, dealt with 550 telephone calls reporting pollution problems. "Half the calls are false alarms," says Trauzettel. "But every one is a problem for us."

BASF has invested DM1.4bn since 1970 on environmental projects concerned with effluent treatment, incineration and waste disposal. It is due to spend a further $1bn over the next five to eight years on similar programmes.

One of BASF's biggest environmental projects of recent years was the construction of a giant effluent plant to clean waste water before it is dumped into the Rhine.

The plant, which uses chemical and biological techniques to remove impurities from some 600,000 cubic metres of water a day, is to be modified over the next few years to reduce smells, a problem which has annoyed residents in the nearby village of Pfingstweide.

The work, in which engineers will cover a large section of the plant with plastic and also install extra aeration equipment to drive oxygen through the water, will cost up to DM40m, according to Karl-Geert Malle, assistant director for environmental pollution at BASF.

Measures which the company has already taken to reduce odours - these consist largely of covering the section of the plant from which water spurts up from agitators - have already reduced complaints from the village from roughly 150 a year to 20.

The new work has special relevance to Malle, who lives in the village. He says his wife has threatened to lead a citizens' group calling for action against the odours.

Other environmental projects in the pipeline for the Ludwigshafen works include:

●A DM200m programme to reduce sulphur dioxide emissions from the Ludwigshafen complex's power station.

●Extra measures, costing DM100m, to reduce general air pollution, through methods such as absorption of gases.

●Two extra sludge-treatment kilns for water treatment, to be installed at a cost of DM100m.

●New monitoring stations to analyse emissions in the Rhine, costing DM100m.

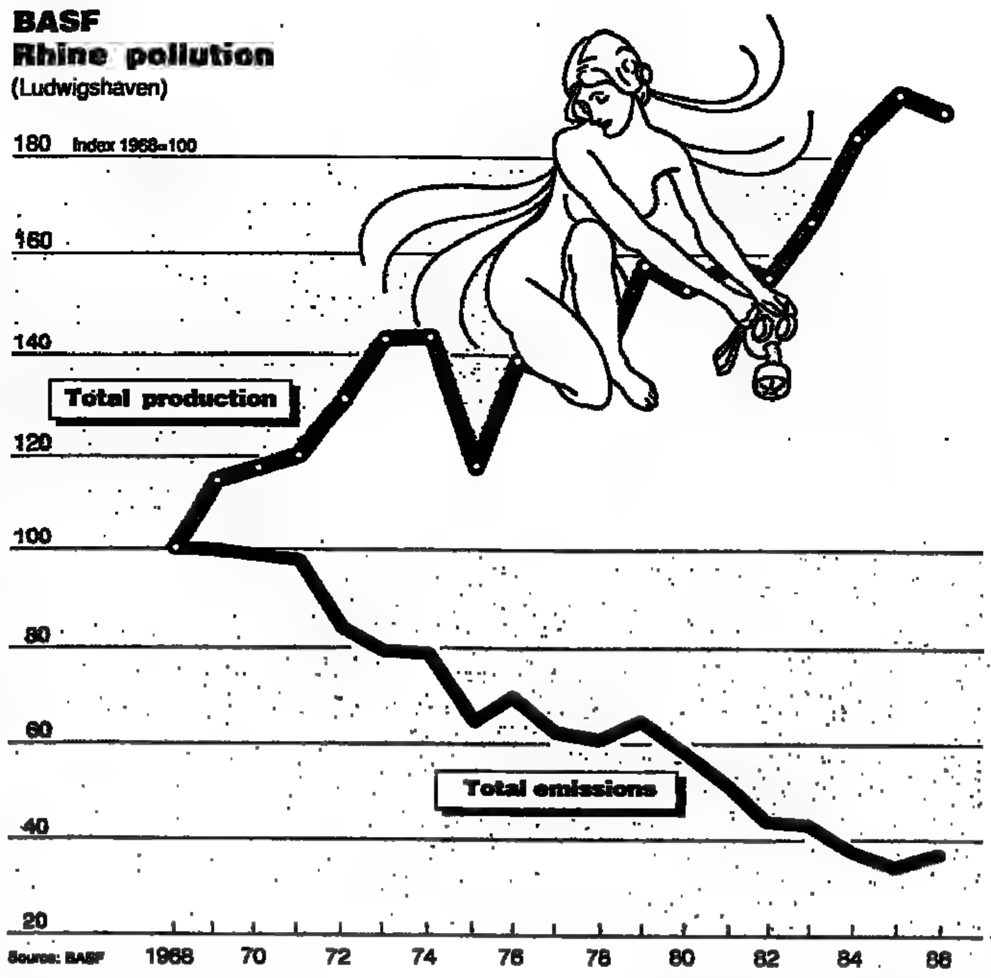
●A DM40m laboratory to investigate the effects of emissions on fish and plants. The research centre should open in 1989 and employ about 80 people.

●An extra DM90m incinerator for solid wastes.

Anti-pollution techniques may also, however, save money. Steam recovery from incineration, for example, now produces 55 per cent of the steam used in the Ludwigshafen plant, reducing the company's energy bill.

Peter Tonne, who is in charge of emissions control and ecology in BASF's environmental division, goes as far as to say that "the cost of cleaning up on pollution often gives us cheaper or better products".

He cites the case of a particular bulk chemical where losses due to pollution, he says, at one time ran to 100,000 tonnes a year. "By stopping this amount of chemicals floating away down the Rhine we are turning out the product with a much better yield."



Where dark satanic mills are creating a green and pleasant land

A HUGE artificial hill by the side of the Rhine near the town of Speyer illustrates the willingness of BASF to get to grips with waste disposal. The company is gradually building the hill out of rubbish transported by barge from its main chemicals complex 40 kilometres away in Ludwigshafen.

It has just started using a new waste-filling system, which BASF developed jointly with Bilfinger and Berger, a construction company in Mannheim. This should reduce to a minimum the chances of dangerous chemicals leaching out into the Rhine through rainwater.

The total waste deposited at the dump each year is about 500,000 tonnes, half of it rubble and other material from demolition work at the plant. The rest is solid residue from BASF's effluent works and rubbish such as pieces of plastic produced from the company's plant operations.

So far about 9m cubic metres of refuse has been dumped at the site, about a third of the total capacity. When the dump is full, early next century, it will be landscaped and used as a recreation area.

Due to worries about rain water leaching possibly dangerous chemicals from the rubbish into the Rhine, the site is, however, like no ordinary refuse tip.

Most of the rubbish deposited so far has been laid either on thick beds of lime or on plastic sheets. The sheets collect the rainwater, which is returned to the Ludwigshafen works for treatment prior to disposal.

Problems, however, can occur if the sheets spring a leak, letting water into the earth. As a result, BASF has in recent months started using a new, highly sophisticated system to trap rainwater, which will also permit the instant plugging of leaks.

Waste will be dumped into large "fields" lined above the soil level with a multi-tier arrangement of plastic sheeting with sand and gravel layers in between.

A series of pipes laid between these layers collect waters, while further pipes can channel grout underneath the fields to seal permanently any areas where in later years the plastic wears through. BASF's technicians will learn about the sites of these leaks through a monitoring system which detects signs of water dripping through the plastic covering.

Disposing of waste in this way - at DM65 a tonne instead of DM60 a tonne - will be slightly more expensive than the old method of using plastic sheets, without the piping system. Both sums are very high compared with traditional ways of getting rid of rubbish of the household variety. BASF has examined the possibility of paying outside contractors to dispose of its refuse in such a tightly controlled way, but here the costs would be even higher, at DM150-DM200 a tonne.

On the move and on the line from China

CHINA HAS introduced its first mobile radio telephone system. Called Total Access Communications System (TACS), it has been installed in the province of Qinhuangdao by Ericsson, the Swedish telecommunications group, and is the same kind of cellular system as that used in the UK. It means that phone calls to most parts of the world can be made from the Great Wall via a hand-held portable unit.

Ericsson is doing well in the People's Republic. Apart from a larger, US$10m mobile phone system it is installing in southern China (in time for the National Games), it has won further orders, totalling US$46m, for its AXE digital public telephone exchanges.

Spot on in the Tokyo traffic

THE JAPANESE Ministry of Construction, in co-operation with 23 companies in the vehicle and electrical industries, has developed a prototype road navigation system based on a compass and electronic map storage equipment in the car, together with a series of low-power roadside radio beacons.

Once the car's starting position is entered, a compass system keeps track of position and a microcomputer screen shows the location of the car. The roadside beacons make precise positional corrections at intervals, since the compass can deviate due to steelwork in buildings. The system is being road tested in central Tokyo.

Quick words for the publisher's PC

JOHN LIBBEY Computer Systems in the UK is offering a text scanner and software that will work into an existing personal computer(PC) and allow a typed page to be read in about one minute.

It is claimed that the machine can "teach" itself to read any typeface and that after the learning process, it will only make one or two character errors per page.

Called Autoread, the system costs £6,500. It is suitable for large-scale applications and enables publishers to capture and edit material without re-keying.

The operator can use the keyboard to enter any uncertain characters or special symbols which are not part of the standard character set. Then, using any popular page make-up software on the PC, finished pages can be created ready the printing processes.

Racal speeds its circuit design

RACAL REDAC, of Tewkesbury in the UK, has announced a big improvement in the ability of its Visula PCB (printed circuit board) design software to route the connections between the components on the board.

The software can now generally work at double its original speed, and in some cases five times faster. With the addition of a minicomputer-based system called Visula Mipper - the price of which has just been reduced by 40 per cent - the speed of the basic software can be increased still further.

WORTH WATCHING

Edited by Geoffrey Charlish

Squeezing oil out of US sewage

IN THE US, American Fuel and Power Corporation (AFPC) is sponsoring an $350,000 research project at Battelle Pacific Northwest, the research group, with the aim of turning sewage sludge into oil on a commercial scale.

The process works by concentrating the primary sludge and mixing the solid residue with alkali. The mixture is heated under pressure, which converts the organic part to a crude oil.

CONTACTS. Ericsson Radio Systems: Sweden, 8 757 2150. John Libbey Computer Systems, London, 582 5266. Battelle: London office, 493 0184. Racal Redac: UK, 0684 294161.

ITALIAN BANKING

Alan Friedman reports on the privatisation of Mediobanca

Italy widens its inner circle

THE BOARD of IRI, Italy's state holding group, meets today in Rome to discuss a privatisation that easily ranks in importance with any share sale seen in Britain or France and is of historic significance for Italy.

The matter which IRI directors will tackle at their meeting inside the imposing Mussolini-era headquarters on Rome's Via Veneto concerns the reduction of state control in Mediobanca, the Milan merchant bank, from 56.9 per cent to 20 per cent by way of a share sale that should raise around L1,500bn ($1.1bn).

The Mediobanca privatisation project carries with it, however, an importance that goes well beyond the unprecedented idea of giving up majority control of an Italian state holding company by way of a public share offer. Nor is the record size of the planned privatisation offer its most distinguishing feature.

The real importance of the Mediobanca project can be found, instead, in what it represents for the power structure of Italian capitalism's old guard, for the newcomers and reformers who have emerged in recent years and for relations between Northern Italy's private sector elite and Rome's state industry.

The entire cast of characters from the world of Italian finance and industry has been written into the Mediobanca story. Among the *dramatis personae* who figure here are Mr Gianni Agnelli, the silver-haired 66 year old Fiat chief whose group has worked hand-in-glove with Mediobanca for 41 years; *Mr Enrico Cuccia*, the mysterious elder statesman of Italian finance who at the age of nearly 80 is about to take his final bow at Mediobanca, which he created in 1946 and has dominated ever since; and Mr Romano Prodi, the genial 48 year-old university professor from Bologna who as chairman of IRI has tried in the past to oust Mr Cuccia and who is convinced that the privatisation of Mediobanca represents a "democratisation" of Italian capitalism.

Other lead-players include Mr Enrico Braggiotti, the suave "banker's banker" who heads Banca Commerciale Italiana (BCI), the Milan-based IRI bank from which Mediobanca once sprang and Mr Antonio Maccanico, the former top aide to Italian presidents Sandro Pertini and Francesco Cossiga, who has been installed as Mediobanca chairman to bring order to the bank.

Supporting actors include Mr Carlo De Benedetti, one of Italy's most active financiers; Mr Raul Gardini, the Ferruzzi boss from Ravenna who has come from oblivion to dominate Italian business headlines since 1985; and Mr Leopoldo Pirelli, the low-profile tyre and cable magnate and leading establishment figure whose most famous remark - apropos of Mediobanca - was once that "What Cuccia wants, God wants too".

Each of these *personaggi* or personalities, has since 1984 been taking part in the struggle for control of Mediobanca, which has been the lynch-pin of Italian capitalism since its foundation in 1946 by Mr Cuccia and his friend Mr Raffaele Mattioli, the influential BCI chairman in the years after the Second World War.

From the start Mediobanca has been an anomolous institution. It has always been majority-owned by IRI's three state banks, yet it has functioned mainly as a closed and exclusive club on behalf of a small circle of leading industrialists typified by Mr Agnelli and Mr Pirelli.

Although Mediobanca was until recently Italy's only equivalent of a British merchant bank, it has been used more as a "strong-box" of Italian capitalism - designed by the secretive Mr Cuccia to prevent unexpected takeovers and to keep rigid control of leading companies "in the family". This was accomplished by means of a spider's web of power, based on a network of industrial cross-holdings that would give pause to a Macchiavelli.

Among the strategic equity stakes built up by Mediobanca are minority holdings in Fiat, Pirelli, Generali (the blue-chip insurer), Montedison (the chemicals concern), Olivetti, SNIA (the defence and textiles group controlled by Fiat), and Gemina, the new Milan vehicle that is controlled indirectly by Fiat and which itself has key stakes in insurance, publishing and finance.

Mr Cuccia, who has never given a press interview, is one of the few men to whom industrialists like Messrs. Agnelli and Pirelli look up. Until the growth of the Milan stock market began, allowing newcomers to develop their activities without Mediobanca, the Cuccia seal of approval was considered indispensable for doing corporate business in Italy. To add further to the legend, Mr Cuccia has rarely been photographed - the standard shot of him shows a man in a Homburg hat, coat tightly wrapped around him, giving a hasty backward glance down the foggy Milan street behind the La Scala opera house where Mediobanca is based.

Mr Enrico Cuccia, the elder statesman of Italian finance, and Mr Romano Prodi, chairman of IRI

To appreciate fully the meaning of the Mediobanca privatisation, one would have to imagine a single London merchant bank standing at the gate of British capitalism and holding important stakes in Rover, ICI, Prudential Assurance and other leading UK companies. This bank's approval would be required to launch any big takeover or sizeable rights issue on the stock market. And this bank, while majority controlled by the government, would serve mainly a handful of industrialists who had minority shareholdings in it.

That was the state of affairs in Italy from 1946 until about four years ago.

In 1985 the state shareholder tried to oust Mr Cuccia, not because Mr Cuccia had stayed on eight years beyond mandatory retirement age, nor yet because he was investigated by a Rome magistrate for allegedly aiding a slush-fund conspiracy during the 1970s, but because IRI said it wanted to "open Mediobanca up for free market competition".

IRI was also none too pleased when it was revealed that a secret pact designed by Mr Cuccia in 1955 allowed equal decison-making power between the state-appointed directors, who control 56.9 per cent of Mediobanca and a select group appointed by some of the private sector shareholders, including Pirelli, Berliner Handelsbank, Lazard Freres and Lazard Brothers of London, who together speak for only 6 per cent of the bank's shares.

Times are changing, albeit gradually. For the past few months Mr Maccanico has acted as mediator between IRI, its banks, and the old guard, whose leadership is found in the person of Mr Agnelli. Mr Braggiotti of BCI has done much of the spade work, designing a privatisation scheme that in the end will see 60 per cent of Mediobanca on the stock market, 20 per cent in the hands of IRI banks and a further 20 per cent held by between 15 and 20 so-called "illustrious names" from the private sector.

The "illustrious names" will include not only Fiat and Pirelli, but the newer generation of entrepreneurs such as Mr De Benedetti, Mr Gardini and others. No single shareholder will have more than 2 per cent of Mediobanca and the new "control pact" will create a nucleus with 40 per cent of the shares (half to IRI and half to the private sector investors) which will share decision-making power on a 50-50 basis.

This implies that real power will be balanced between the enlarged group of key private sector shareholders and the state banks.

The Mediobanca privatisation, assuming it now goes ahead without political interference from Rome, will not only be unprecedented as a disposal of Italian state assets. By virtue of the entry of new institutional shareholders such as Mr De Benedetti and Mr Gardini it will represent an official confirmation that the base of Italian capitalism is broadening.

Italian small business

Raised in the south

John Wyles reports on the challenges facing Paravia, a family-owned lift manufacturer based in Salerno

AT 57, SERGIO Paravia cuts an impressive figure. A broad-chested Neapolitan of medium build, he has a square, constantly animated face which can charm at one moment, intimidate at the next. He likes to dominate a conversation, but listens attentively to those he respects. He exudes authority and there is no doubting who is the boss at Paravia Ascensori S.P.A of Salerno.

He does, after all, know the company better than the 100 or so people involved in manufacturing and selling the 700 lifts installed every year under the Paravia name. He has been running it virtually since it was set up with his father, a former technician with the large Otis lift company, and younger brother in 1953. Sergio takes the credit for its growth in the following 25 years and the blame for its near collapse in 1980.

He signs the cheques, rows with the shop stewards and is clearly adored by the four sons who may or may not follow him into the business. His energy and initiative have taken him around the world in the search for markets, ideas and partnerships. In sum, Sergio Paravia appears to have stepped out of every text-book ever written about the benevolently despotic founders of small family companies.

But so also do his problems. Operating as it does with a 3.5 per cent share of the national market in a mature sector dominated by large international producers, where is Paravia's future growth to come from? How can the company keep up in the race for technological improvement ? How can the driving entrepreneurial impulse be assured once Sergio disappears from the scene?

Moreover, the text-books rarely touch on the reality of launching and running a manufacturing business in the south of Italy. In the early days, the company was totally dependent on the north of Italy for its components and for its technology. Italy's major lift producers were then based in Piedmont, Lombardy and Emilia Romagna and only the first signs of a long-running national construction boom could justify what might otherwise have seemed a brave but foolhardy initiative by the two Paravias.

"With the building boom under way, I decided in the early 1960s to concentrate on developing our market in the centre and south of the country. It would have required far more finance and organisation to have tried in the north," says Sergio.

Assessing the risk he might have run, he used the word "bruciato", literally "burned", in view of the eventual domination of the Italian lift industry by Otis and the Finnish company Kone. Otis became Stigler-Otis when it acquired the main Italian producer just after the Second World War and and now holds around 30pc of the Italian market compared to Kone's 25pc through its Fiem and Sapiem subsidiaries.

Since 1958, he has built offices and a factory on an 11,000sq m site on a hillside above the bay of Salerno, and developed his own product line,

distribution network and a highly profitable service company. Proximity to the market and an emphasis on good client relations were key factors in this relatively smooth growth.

However, Sergio was not content to depend solely on the Italian market. He started a marketing and final assembly operation in Belgium in 1973 but found the problems of running it at a distance too great, and the economics of Belgian labour costs insupportable. More happily, a sales and distribution network he had painfully built up in the Mediterranean and the Middle East was beginning to pay off. Paravia lifts found their way to Greece, Malta, Cyprus, the Lebanon, Syria, and Saudi Arabia and by 1977 25 per cent of the company's turnover was coming from exports.

"Things were going so well that I thought I could touch the sky, and then suddenly I found myself flat on my backside," says Sergio ruefully. The reason was the failure of a Swiss company with which he had set up a joint venture to produce escalators. He had purchased land for expansion in Salerno and expanded his workforce to 175 in anticipation of the new activity.

Suddenly he was without a partner and burdened not only by a labour surplus which he could not afford but by a local trade union leadership which would not countenance redundancies. Their resistance was driven home by a three-month occupation of the factory in 1980 which prostrated the already staggering company. Paravia sought protection from [through?] the bankruptcy laws which delivered the company a two year moratorium on its debts, with the approval of its creditors.

By the end of 1982, essential debt restructuring had taken place. Most crucially, Paravia won approval from both the government and the unions to place its surplus labour in the Cassa Integrazione, which guaranteed the laid off workers full unemployment pay. "I was left with 99 employees who, within a short time, were producing three times our previous output," says Sergio. Since 1980, Paravia's turnover has tripled from L6bn to L18bn (£8.3m), but despite his confident talk that "it could be L100bn" in a few years' time Sergio is clearly worried about the future.

Nevertheless, he has the restless urge, apparently typical of his kind, and taking advantage of governmental backing for entrepreneurial endeavour in the Mezzogiorno he has just set up a small company, which his eldest son is running, to manufacture security doors. He had to finance only 30pc of the L870m initial investment; 45 per cent came in a government grant and 25pc as a cheap loan from the development agency for the south. Profits from the new company, which will turn over around L1bn this year, will be left untaxed for ten years.

Sergio could finance the modernisation of the main lift business which he now recognises as necessary, with the help of government funds and from the sale of the existing factory's site which is now prime development land.

He believes that this will be his strategy. Nevertheless, he seems haunted by doubts as to how much growth is possible for Paravia with its small production runs and constant struggle to keep up with the pace of change in production technologies.

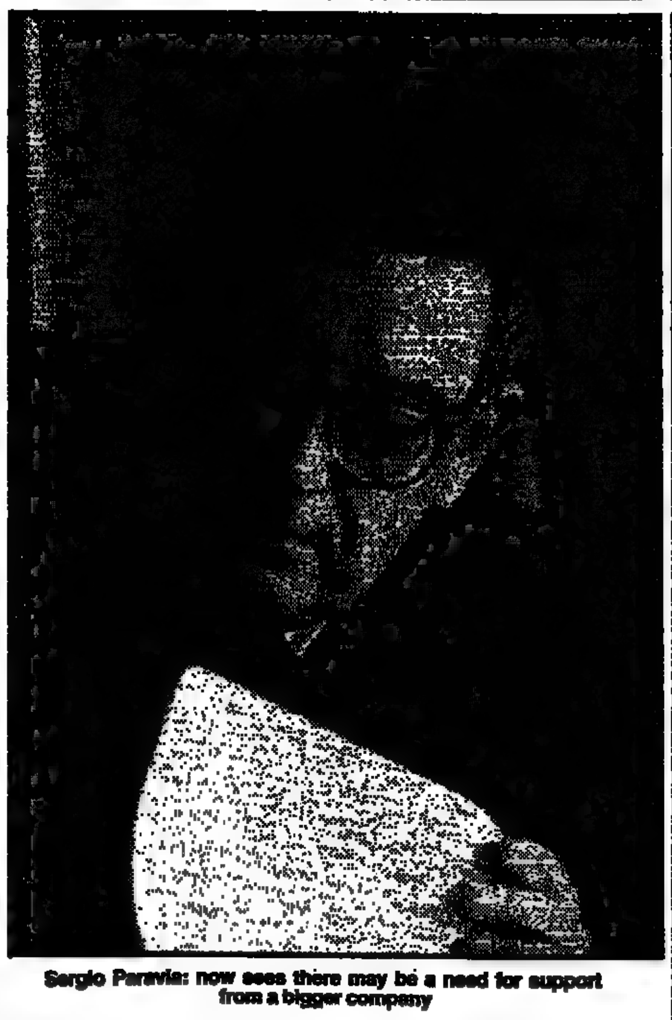
"We have to find a relationship with a much bigger company to give us help and support," he says. He is vague about the kind of relationship and the type of company which might want to offer it. It could be a joint venture which would take Paravia into installing and servicing lifts produced by the dominant manufacturers, or it could be a broader based supplier to the construction industry, or it could be a foreign producer interested in exchanging products and service facilities.

What about the possible loss of autonomy? "It is better to suffer limits on your freedom and survive than to disappear altogether." He is similarly open-minded about introducing professional managers from outside the company. "I think the family company is very valid in the first growth phase, it becomes a problem when the company grows because of conflicts of roles."

He has two brothers working with him in the lift manufacturing business, one as managing director and the other as technical director, and another two in the service company. His four sons are all over 21, but only the eldest has yet been given a direct role. The second son, Enzo, is working in a business consultancy and clearly has plenty of advice to offer his father. But Sergio flatly rejected his request to join the company.

This was perhaps because he feels he has all the management he needs at the moment. Yet, during a lunchtime discussion with his two eldest sons over whether Paravia should remain under family management, Sergio passionately interjects: "Look at Raul Gardini, look at Ferruzzi, there is a family business developed by the family."

Previous articles in this series appeared on September 15 and September 29.



Sergio Paravia: now sees there may be a need for support from a bigger company

A US lesson for Europe

Charles Batchelor on a call for a body to coordinate policy

THE EUROPEAN Community should establish an organisation similar to the Small Business Administration in the US to promote the interests of small companies, in particular those in high-technology areas, two University of Sussex academics argue in a recent survey.*

Only when a truly European policy for smaller high-tech companies is formulated and overseen by such an organisation can their potential be fully realised and will they be able to compete with companies in the US and Japan, the authors say.

Despite the increased availability of venture capital in Europe in recent years, very little is provided in the form of seed capital. This gap could be met by a community venture capital fund administered by the Commission, they urge.

Again this could be based on a US initiative, the Small Business Innovation Research scheme launched in 1982. This scheme provides funds for the project evaluation and early development stages of new technology, allowing the final development and marketing stages to be funded from the private sector.

The researchers based their recommendations on detailed case studies of 12 firms - six British, three Danish, two Dutch and one in the Irish Republic - all involved in technologically sophisticated areas such as electronics, scientific instruments, biotechnology products and new materials. All had experienced high rates of growth of both turnover and employment.

These companies felt public support for small high-tech firms was much lower in Europe than in the US and Japan. Most had received funds from national schemes but complained about bureaucratic delays. Some had received EC funds through schemes such as BRITE, ESPRIT and EUREKA but felt uncomfortable about the collaborative aspect, since they felt unable properly to assess their partners' technological capabilities.

The main problems facing these firms were shortages of key personnel, particularly managers of technology and engineers with skills in demand by larger and wealthier companies; a lack of information on potential partners in industry and universities; and a shortage of funds for long-term research and development work.

These problems were universal but others arose at different periods of the companies' growth. Some wanted financial assistance to start manufacturing; some wanted marketing assistance to help them sell abroad; others wanted access to different technologies to assist diversification.

**Technology-Based Small Firms in Europe: the results of research undertaken for the EC's Industrial Research and Development Advisory Committee. Roy Rothwell and Mark Dodgson. Science Policy Research Unit.*

Motivation behind a spin-out

IF LARGE COMPANIES treat their managers better and give them more of a feeling of belonging, they might avoid talented teams of executives leaving to set up their own companies - sometimes in competition with their former parent group.

The fact that many managers feel frustration emerges from a study* just published which looks at 11 case histories of companies set up by teams of executives who spun off from their original employers.

The typical spin-off team comprises between two and seven members - usually people who have worked closely together in the large company, the report showed. The companies it investigated employed between four and 80 people and had turnovers £150,000 and £8m.

What the managers wanted from their employers was simply a bit more appreciation and encouragement. One, quoted anonymously, comments: "No matter what you put in, you didn't get any thanks for it. I suppose you shouldn't expect it - you're being paid." Another said: "You have your profit-related bonus and so on, but ... you don't get any thanks."

The managers also complained of a lack of control over the areas for which they were nominally responsible and over their own destinies. Paradoxically they felt more secure running their own business than when they were cocooned in a big corporation.

While most of the spin-offs were fairly recent, one which was four years old had run into management problems and executives with a number of the recent spin-offs were vague about how they would adapt to growth. Most seemed to think they could retain the positive aspects of smallness indefinitely.

The companies which formed the basis for this survey insisted on anonymity. Yet a commonly cited reason for the failure of more British managers to break away and set up on their own is a lack of role models. If those who have done it insist on secrecy it is difficult to see how these role models will emerge.

**New Forms of Enterprise: From Intrapreneurship to Spin-Off by Sue Lloyd and Charles Seaford. Small Business Research Trust (Tel 01-828 5327). 50 pages, £10.*

CB

In brief...

THE INNOVATION for Business Award, which is now in its third year, has been opened to sixth formers for the first time as well as to students in higher education. The organisers are looking for ideas for a new product or service. In previous years, winners have included an entryphone system, a reverse gear for a motorcycle and a method of breeding anglers' ragworms.

A total of £3,000 is on offer to any full-time student or group of students aged under 27. Ideas must be submitted before December 31 and entrants will be offered a one-day workshop to help them develop a business plan.

The award is being co-ordinated by The Student Industrial Society and sponsored by sugar manufacturers Tate & Lyle and chartered accountants Touche Ross.

Contact: Adrian Black, Tate & Lyle, Sugar Quay, Lower Thames Street, London EC3.

•

INFORMATION bank on research into the availability of risk capital for small businesses is being compiled. The aim is to create an easy source of reference for researchers, small business advisers and policy designers and each entry will contain a descriptive text.

The project is being funded by the British Library's Research and Development Department. The survey, entitled Smaller Firms Risk Capital Bibliography, will contain references to English-language research on the UK and other countries.

Contact: David Purdy, Small Business Research Trust, 3 Dean Close, Littleover, Derby DE3 7EF. Tel 0332 516574.

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Successfully trading with high-quality schemes Secured, value £28M, 4 year growth record. Highest level of expertise, with tremendous potential to acquire further commercial schemes. An opportunity exists for part equity stake in return for injection of further working capital, with a view to a U.S.M. listing in 1989.
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A multi-national diversified concern with a long established trading line to the Indian sub-continent wishes to make contact with UK/European/USA principals who would like to develop their export/import commercial activities in this region.
Write Box F7704, Financial Times, 10 Cannon Street, London, EC4P 4BY

UNUSUAL SPECIALIZED SMALL INFORMATICS GROUP, MARKET LEADERS, offer INTEREST/POSSIBLE CONTROL in PROFITABLE and SUCCESSFUL YEARBOOK'S DIRECTORY PUBLICATION. No competition. Major/Potential around £400,000.
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I currently manage a small Industrial Control Systems Consultancy. I can contribute an excellent Management Philosophy, superior Project Management skills, and excellent Financial Control to a company in the Electronics/Computer Systems market, ...

As a result of a cancelled export order we have approx. 50,000 x 150ml each of OLIVE OIL and COD LIVER OIL, both meeting pharmaceutical specifications.
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Tel: (04427) 3366 Tlx: 825896

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Principals only reply on company letterhead to Mr. R. Hardy, 24 Glen Rd., Mtn. Lks., NJ 07046, USA.

Opportunity exists for an experienced advertising sales executive to join board of an established publishing company with proven track record. Share option available –
Phone 0462 32412 ref MW

MAGAZINE PUBLISHER
Plc. with established leisure and special interest titles looking for rapid expansion through acquisition or merger. Existing management could be retained.
Principals only to Box F7694, Financial Times, 10 Cannon Street, London, EC4P 4BY

UP TO £1,000,000 TO SPEND ON STOCK IMMEDIATELY. If you have excess stock-s/discontinued designs/cancelled export orders YOU NEED US... We are part of a leading UK public company, acting on behalf of an active network of international customers to purchase large stocks in the following product areas: STATIONERY, CHARACTER MERCHANDISE, NOVELTIES & GADGETS, TRAVEL GOODS, TOYS, GIFTS, HOUSEWARES, ELECTRICAL GOODS. We guarantee utmost confidentiality, Brand name protection, immediate decisions and payments. EXAMINE YOUR INVENTORIES NOW, turn dead stock into IMMEDIATE CASH BEFORE CHRISTMAS. CALL T. FARBER OR A CONRAD ON 081-348 0471 with your offer NOW FAX 081-872 ...

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This company owns Residential, Commercial, Development and Investment Properties, comprising in excess of 500 residential units countrywide; shops and other commercial units in the South East and Liverpool; a Midlands shopping centre; a recently completed Industrial Estate in West London; and a major shop/office development now underway on the South Coast.

Details are provided in a full brochure and prospectus available on written request and upon receipt of the £150 registration fee, payable to "Atlantic Metropolitan (UK) Group Plc" and sent to: **Alan Crisp BA FRICS, Chairman, Atlantic Metropolitan (UK) Group Plc, 53 Upper Brook Street, Grosvenor Square, London W1Y 1PG.**

Atlantic Metropolitan (UK) Group PLC

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(In Receivership)

Revolutionary new product for airlines, handling agents and airports.
Purpose designed aircraft tug which provides a unique towing system eliminating the need for towbars, and incorporating major items of ground handling equipment in one single unit.
For use on all modern airliners.
Receiver requires opportunist purchaser for patent and prototype development to date.
Further particulars available on request from:
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Spicer and Pegler & Partners,
Clumber Avenue,
Nottingham NG5 1AH
Telephone: Nottingham (0602) 607131

Spicer and Pegler & Partners

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Turnover approximately £500,000.
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Tel: 021-236 9151.

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Substantial capital offers are invited for the leasehold interest and contents.
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Brownlow House, 50/51 High Holborn
London WC1V 6EG
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Excellent management team heads a total of 25 experienced employees.
Comprehensive range of fully paid for modern equipment. Clean Balance sheet.
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Associate freehold premises also available for sale if required.
Interested parties please reply to:–
L C Kuehnleiner, Livingstone Fisher Associates Ltd, Acre House, 69/76 Long Acre London WC2E 9JW Quoting Ref: LCK/P162

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This private company has a valuable portfolio of properties in the Harpenden area of Hertfordshire, producing gross rentals approaching £100,000 p.a.
A substantial offer for the equity capital in this Private Company will be required and seriously interested principals and companies should write, in confidence, for further particulars.
Write Box H2678, Financial Times, 10 Cannon Street, London EC4P 4BY

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Based in well defined geographical area. Other activities include operation of vending machines.
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Financial Times, 10 Cannon Street, London, EC4P 4BY

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A NASDAQ eligible company with over 2,000 shareholders. S1 Registration. Available for sale or merger. Controlling ownership available. For information please send your company information to:
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Leading giftware manufacturing and marketing company. Pre-tax profits for current year ending December 31st of not less than £350,000. Freehold factory. Employs 60 people. Full order book. No borrowings. Price not less than £2.5m.
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*excellent four year record
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Income £2.4M. Profits £335,600.
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Can be acquired separately.
Replies Box: H2689, Financial Times, 10 Cannon Street, London, EC4P 4BY

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Well established company for sale; owner approaching retirement.
Turnover £1.25m
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Location: Southeast England
For further details, please apply Box H2677, Financial times, 10 Cannon Street, London, EC4P 4BY

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The present owners are seeking a cash offer of £550,000 for their investment.
For further details please write to Ben Tompkins, 9 North Audley Street, London W1Y 1WF.

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Price unfinished: £2,250,000. Will undertake to complete to specific requirements.
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Telephone No: 44 1785 (Code 010 34 52 Spain).
Phone between 9-10am

Titles of Business to Business Newspapers in the M4 corridor area for sale. *Principles only*
Reply to Box H2665, Financial Times, 10 Cannon Street, London, EC4P 4BY

Privately Owned High-Tech Engineering Company
Situated in the Midlands. Turnover £1.5 million. Assets £.5 million. Good order book
Price sought £1.5 million.
Write Box H2661, Financial Times, 10 Cannon Street, London EC4P 4BY

SMALL VERY HIGH PRECISION ENGINEERING COMPANY with over £320,000 of CNC, CAD/CAM, CMM equipment, turnover capability of £200,000 p.a. (gross profit 60%) for sale or merger. Suitable for expanding businesses in Heathrow area. Owner will stay for agreed period. Company can be valued at £350,000 will accept £250,000 for quick sale and early disassociation.
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Public Company wishes to purchase a small to medium size Insurance Brokerage in East or West Midlands. Accountants or Principals only please:
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£150,000
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Midlands based. £1.1m turnover – £250K (approx) net annual profit.
Owner seeks outright sale or merger with similar company/s with a view to early flotation.
Principals only should contact Box No. H2646, Financial Times, 10 Cannon Street, London EC4P 4BY

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PLUS EXTENSIVE STOCK OF OFFICE FURNITURE & MISC. EQUIPMENT INC. 200 FILING CABINETS, 100 ASST. DESKS, 200 ASST. CHAIRS, BEDROOM FURNITURE, VENDING MACHINES, SCAFFOLDING, LADDERS, HEAVY DUTY TABLES, ELECTRICAL EQUIP., PHOTOCOPIERS, CAMERAS ETC. ETC.
VIEWING 10AM-4PM MON. 19TH OCT. AND FROM 9.30AM MORNING OF SALE
ENTRY BY CAT. ONLY — CATALOGUES – £1 – BY POSTAL ORDER/CHQ + SELF-ADDRESSED STAMPED A4 ENVELOPES TO AUCTIONEERS. NOTE VENUE OF SALE.
Payment by cash or Bankers Draft only. A minimum £100 refundable deposit required from all buyers. For further information:
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TEL: 061-626 7678 TELEX: 667092 WAGSAL G. FAX: 061-626 6503

AERONAUTICAL MINISTRY GENERAL SUPPORT COMMAND DIRECTORATE OF MATERIAL
NOTICE
The Director of the Directorate of the Aeronautical Equipment gives notice that there will take place a Public Auction for the Sale of Aeronautical Material applicable to Aircraft Douglas DC-3 (6,000 items applicable to motor propulsion group, fuselage, electrical and hydraulic systems), to be held on the 28th October 1987, at 14:00 P at the Parque de Material Aeronáutico dos Afonsos—Av. Marechal Fontenelle No. 1000—Marechal Hermes—Rio de Janeiro—RJ—Brazil.

For further details please contact:
LEILOEIRO MURILO
at Av Presidente Antonio Carlos,
No. 607—10th Floor—Rio de Janeiro—RJ—CEP 20020
Telephone 21-224 1430—Telex 213411.

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It has identified the recruitment agency business as an exciting new diversification opportunity and is now seeking a successful and ambitious company with vigorous and visionary management to provide the "core" from which to expand. It is prepared to invest sufficient funds and support to ensure that the business becomes a major industry player over the next five years.

Please write, in confidence, providing brief details, to:–

Caroline Woodward,
Coopers & Lybrand, Plumtree Court, London, EC4A 4HT,
Telephone: 01-822 4934

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For profitable businesses in the field of financial services and related sectors who would be interested in exploring the possibilities of selling their companies to substantial UK financial organisation with a flexible approach.

Please write Box H2681, Financial Times, 10 Cannon Street, London, EC4P 4BY

MONCOLAND

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If you are a Principal or major investor in a company that requires additional funding, there are several options open to you.

If you feel that new, dynamic management is also required, we can provide you with both.

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Mr D Moon, Moncoland Associates, Chatsworth House, 29/31 Broadway, Maidenhead, Berks. SL6 1LY

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Private investor wishes to purchase interesting companies with steady growth potential. Manufacturing, distribution or service industries in pre-tax profit areas £50,000 to £200,000. Minority stake for financial assistance or financing management buy-out considered. Funds available £250,000 to £2m.

Write in strict confidence to Box H2361
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Steady profits from £30,000 per annum to £150,000 required or product range which can be introduced into existing factory with excellent facilities.

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Box H2360, Financial Times
10 Cannon Street, London EC4P 4BY

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Our client is a substantial and successful market leader in food processing and is seeking continued expansion by acquisition.

We would welcome all enquiries from chilled food manufacturing companies – cash consideration available.

Please reply to:
Privatbanken Limited, Corporate Finance Division,
107 Cheapside, London EC2V 6DA Tel: (01) 726 6000

EXPORT TRADING COMPANY WANTED

Successful Export Merchants wish to expand and diversify by investing in or acquiring complementary business.
Ideal partners will be owner-managed, profitable, with turnover of £1-£5 million.
Principals only, please reply in confidence to: Box H2689, Financial Times, 10 Cannon Street, London, EC4P 4BY

WANTED TO BUY SECURITY COMPANY

An expanding services organisation wishes to purchase a small Security Guard business in the London or Outer London Area.
Please reply in confidence to:Box H2692, Financial Times, 10 Cannon Street, London, EC4P 4BY

Plc Seeking Third Market Status

As the holding company for light engineering & industrial companies who manufacture, service and distribute, we would like to hear from other OTC-quoted or private companies who would wish to cooperate/combine with use to achieve Third Market Status. Acquisitions/mergers considered.

Please reply to Box H2668, Financial Times, 10 Cannon Street, London, EC4P 4BY

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Interested in purchasing any of the following dealerships: Mercedes, Honda, Porsche, BMW, Jaguar, Audi/VW.

Please write in strictest confidence to: The Managing Director, Box No. H2624, Financial Times, 10 Cannon Street, London EC4P 4BY.

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keen to acquire products or business that will benefit from additional finance and improved marketing and manufacturing.

Write to Box H2682, Financial Times, 10 Cannon Street, London, EC4P4BY

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We are seeking controlling interest of a P.L.C. (U.S.M. or full listing). Purchasing for cash only.

Please reply to S.H. Fruhman, Fruham Davies & Co. Solicitors, Manchester. Telephone no. 061 833 0578. Fax no 061 834 4846.

BUILDING SERVICES COMPANY

Engaged primarily in international construction wishes to purchase Electrical Contracting Company operating in London or South East. Replies treated in total confidence

Write Box H2675, Financial Times, 10 Cannon Street, London, EC4P 4BY

'BUSINESSES WANTED'

Well established and profitable manufacturing company with excellent management team wishes to diversify/expand through acquisition or merger. Must have growth potential. (Turnaround/retirement situations considered). Send full details in strict confidence to the Managing Director.
Write Box H2673, Financial Times, 10 Cannon Street, London, EC4P 4BY

COMPANY WITH MEDICINES LICENCE
WANTED FOR CASH
In Receivership or Trading
Write Box H2672, Financial Times, 10 Cannon Street, London, EC4P 4BY

Engineering Company Wanted

Established engineering company wishes to acquire a controlling interest in a light/medium manufacturing operation in jobbing, batch production or with own products. Turnover up to £2 million. Preferably profitable or with potential to be so.
M2694, Financial Times, 10 Cannon Street, London EC4P 4BY

WANTED FOR LISTED GROUP

Insurance brokerages. Pensions and employee benefits consultancies. Personal financial planning and investment consultancies. Commission income above £250,000.
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wants to acquire Lloyd's Broking Firms and recruit teams of London Insurance Market Specialists. Equity participation possible.

Write Box H7372, Financial Times, 10 Cannon Street, London EC4P 4BY

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Offering proven and innovative financial/marketing/management skills seeks acquisition of or active participation from £0.5m-£2m in profitable growth orientated companies. Turnround opportunities would be considered. Existing management could be retained.
Contact Glyndbourne Ltd.
Wier Bank, Bray-on-Thames, Maidenhead, Berks SL6 2ED
Phone (0628) 770011

REQUIRED SHEET METAL AND/OR TUBE WORKING BUSINESS

with £0.25m-£0.75m turnover. Must relocate to our existing site in the West Midlands.

Write Box H2327
Financial Times
10 Cannon Street
London EC4P 4BY

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Our company willing to purchase any motor group operating Mercedes-Benz, Jaguar, BMW, Porsche dealerships either outright or partnership.
Anything considered
Aply in strict confidence.
Write Box H2612, Financial Times, 10 Cannon Street, London, EC4P 4BY

Long established manufacturing organisation in North Hampshire is expanding its mechanical and electro-mechanical capacity and seeks new product/business.
Write Box H2671, Financial Times, 10 Cannon Street, London, EC4P 4BY

Holding Company wishes to acquire small chain of fashion shops, up to 6. Total square footage +/- 10,000. Must have good locations and preferably Freehold. All replies in confidence:
Write Box H2688, Financial Times, 10 Cannon Street, London, EC4P 4BY

PLC WISHES TO EXPAND BY ACQUISITION OF MANUFACTURING OR DISTRIBUTION BUSINESSES

Write Box H2450, Financial Times 10 Cannon Street, London EC4P 4BY

PRINTED CIRCUIT BOARD manufacturer required to complement operations of established electronics Group. Outright purchase of capital preferred, joint venture possible. Replies from any area of UK to: Box No: H2676, Financial Times, 10, Cannon Street, London, EC4P 4BY.

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Buying or selling a business? We'll cover your risk

When you sell a business or go public you may have to give warranties and indemnities which could render you liable for damages as well as legal expenses, even if you are not at fault.
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For more information contact:

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87 Percy Road, London, W12 9QH

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Company Notices

NATIONAL BANK OF CANADA
$US 100.000.000
FLOATING RATE NOTES DUE APRIL 1995

For the three months, October 7, 1987 to January 6, 1988, the rate of interest has been fixed at 8 1/2% P.A.

The interest due on January 7, 1988 against coupon nr 11 will be $US 217,22 and has been computed on the actual number of days elapsed (92) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

CHINA

16 DECEMBER 1987

The Financial Times proposes to publish a major survey on China on Wednesday, 16 December 1987.

Topics to be covered in the survey include:

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INVESTOR'S GUIDE TO THE STOCK MARKET
by Gordon Cummings

The 'Big Bang' has brought changes that affect the strategy and market operations of private investors, both old hands and newcomers. Computerised investment trading and advice accentuate the need for D-I-Y research, knowledge, and share dealing to avoid becoming an impersonal cog in robot-controlled operations.

Completely revised and updated in the light of the 'Big Bang', this edition is *the essential handbook* for those who manage their personal capital and savings in the stock market. The author, Gordon Cummings, a chartered accountant, draws on over 50 years' experience as an active investor, financial commentator and investment advisor to explain the workings of the stock market, and how to profit from it the D-I-Y way, as he has done successfully.

For the new or potential investor, it provides an invaluable introduction to the practices and procedures of the market; how to set up and manage an investment portfolio and how to make the best use of your capital.

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FT LAW REPORTS

Architect's insurance survives transfer

THORMAN AND OTHERS v NEW HAMPSHIRE INSURANCE CO

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Stocker and Lord Justice Russell): October 8 1987

NOTIFICATION to an insurer that a claim may be made against the insured in respect of inter alia in specified matters, is notification that it is not confined to the matters specified; and the insurer therefore cannot escape liability to indemnify against the full claim by asserting he was notified in part only.

The Court of Appeal so held when allowing an appeal by Home Insurance Co from Mr Justice Steyn's decision that it would be partly liable to indemnify architects, Patricia Thorman and others, if negligence were established against them in proceedings by building owners. Home Insurance contended that New Hampshire Co (UK) Ltd would be liable for the whole.

SIR JOHN DONALDSON MR said that on September 30 1983 the architects transferred their professional negligence cover from New Hampshire Insurance to Home Insurance.

In May 1973 the architects were engaged by building owners in connection with a housing development at Rose Duryard, Exeter.

Various defects became apparent. The building owners alleged they were the result of professional negligence on the architects' part. Negligence had not yet been established. Similar allegations had been made against consulting engineers. Consolidated proceedings were due to be heard within six months.

For the purposes of the present proceedings it was assumed that liability would be established against the architects. The primary issue was whether, as Mr Justice Steyn had held, New Hampshire would be under an obligation to indemnify the architects in respect of only part of their liability, Home Insurance being obliged in respect of the remainder.

The action against the architects was begun by generally endorsed writ issued on June 30 1982. Since then the claims had been particularised in a Scott Schedule which showed that they fell into two main categories, brickwork and other matters, particularly roofing.

It was accepted that brickwork liability was covered by New Hampshire. What was not accepted was that the other liability was so covered.

Both companies provided "scheme" insurances, namely, insurance on terms approved by the RIBA and designed specifically for architects.

The New Hampshire policies, in force until September 30 1983, provided in section 1 that the company would indemnify the insured against any professional 'claim' arising within the policy period.

It was a condition precedent to the right to be indemnified that the insured should give the company immediate notice in writing (a) of any claim made against them; and (b) of receipt of notice from any person of an intention to make a claim against them.

By condition 7 it was agreed that in the event of the company being entitled to void the policy because of inaccurate or misleading information in the proposal form, it might elect to regard it as of full force save that there should be excluded from the indemnity any claim arising from the undisclosed circumstances.

By condition 8 it was agreed that if during the currency of the policy the insured became aware of any "occurrence" which might be likely to give rise to a claim within section 1, any claim subsequently arising out of that occurrence of which notification had been given, was deemed to have arisen during the policy period, whenever such claim might actually be made.

The Home policy, in force on and after October 1 1983, contained identical terms. In addition, by Special Provision 1 it provided that the company would not exercise its right to avoid the policy for non-disclosure "provided always that the insured shall establish to the company's satisfaction that such alleged non-disclosure...was innocent..."

A claim falling within section 1 meant a claim by the insured against underwriters for indemnity in respect of a liability under a judgment or arbitration award. The claim subsequently made against the insured and arising out of the "occurrence" might or might not be a claim falling within section 1.

Between August 1976 and July 1979 the building owners made a number of complaints which were regarded by the architects as all relating to brickwork. The architects took the view that responsibility lay with the consulting engineers. New Hampshire was kept fully informed.

On May 18 1982 the building owners' solicitors wrote to the architects saying that early action must be taken to avoid the possibility of any proceedings being statute-barred.

On June 29 1982 they wrote again saying "serious problems have arisen in this development *inter alia* with regard to...brickwork, for which we hold you responsible... We hereby give you notice that we require you to concur in the appointment of an arbitrator..."

Those letters were sent on to New Hampshire. As soon as they were told that a writ was to be issued, New Hampshire instructed solicitors to conduct the proceedings on behalf of the architects. Those solicitors undertook to accept service of the writ and wrote asking for details of allegations of negligence.

Solicitors for the building owners replied that they had not yet received a preliminary technical report from their consulting engineers, but would discuss the matter once that had been received. They reiterated that the writ was being issued at that stage solely to preserve their client's position in relation to the Limitation Acts.

The position was no clearer in November 1982 when the building owners' solicitors wrote saying that until the consulting engineers' report was to hand "none of us have any idea about the extent and size of the problem."

The writ was not served until December 1983, and it was only when the statement of claim was received on January 10 1984 that the architects and New Hampshire knew for certain that the building owners' complaints extended beyond brickwork deficiencies.

Mr Justice Steyn held that a claim within the meaning of the policy was the assertion by a third party against the insured of a right to relief because of professional negligence. He went on to hold that if the building owner added a new and unrelated assertion of damage it was a new claim under the policy.

The letter of June 29 stated that serious problems had arisen in the development "*inter alia* with regard to cracking and defective brickwork for which we hold you responsible."

Having regard to the words "*inter alia*" that was the clearest possible claim in respect of all serious problems which had arisen by that date, and was not confined to brickwork.

The fact that it was unparticularised and uninformative was nothing to the point. All the matters listed in the Scott Schedule were in that category and it followed that all were the subject matter of a claim before New Hampshire came off risk.

Another answer might be that the issuing of the generally endorsed writ also constituted a claim covering all matters subsequently particularised in the statement of claim and in the Scott Schedule; or that the issue of the writ, as distinct from its service, constituted an "occurrence which may be likely to give rise to a claim falling within section 1."

Mr Justice Steyn rejected the submission that the claims in respect of the non-brickwork matters were made when New Hampshire was on risk, because he considered they were separate and unrelated claims made for the first time when the statement of claim was delivered.

In that, he overlooked the wide terms of the letter of June 29 1982 claiming arbitration.

He also rejected a submission in reliance on Condition 8 because the insured did not know that non-brickwork items were being put forward, and could not reasonably have done so until after October 1983.

The insured's knowledge of non-brickwork items was not the relevant occurrence. The relevant occurrence was the issue of the writ, of which the architects were fully aware. Nothing was more likely than a writ to give rise to a claim within section 1.

The appeal should be allowed. New Hampshire would be liable to indemnify the architects in respect of all the building owners' claims, to the exclusion of liability on the part of Home Insurance.

The judge had to express a view on the construction and the combined effect of Condition 7 and Special Provision 1 relating to non-disclosure in the Home policy.

On the appeal any view expressed on this point was *obiter*.

The judge held that the premise of Condition 7 was that the underwriters were "entitled to void this policy *ab initio*", but that where it was common ground that the insured had acted honestly, Special Provision 1 negatived that entitlement.

That construction put a non-disclosing insured in a better position than one who made full disclosure. That could not be right.

At Common Law innocent but material non-disclosure would give rise to a right to avoid the whole policy upon returning the premium. Condition 7 varied the Common Law by permitting, but not obliging, underwriters to waive the right of avoidance and to affirm the policy, but to do so subject to a deemed exclusion of liability for undisclosed actual or potential claims.

Special Provision 1 then required underwriters to give the architect an opportunity to satisfy them that the non-disclosure was innocent, and if he could do so, further obliged underwriters to elect to affirm the policy, subject to the deemed exclusion. So construed no practical problem arose.

Lord Justice Stocker and Lord Justice Russell gave concurring judgments.

For Home Insurance: John Griffiths QC and John Slater QC (Davies Arnold & Cooper)
For New Hampshire: Stephen Desch QC and Roger Ter Haar (Kennedys)
For the architects: Roger Toulson QC and Christopher Gibson (Penningtons Ward Bowie, for Bevan Ashford, Tiverton)

By Rachel Davies
Barrister

THE ARTS

London Galleries/William Packer

An idiosyncratic look at one-man-shows

Mixed shows and general critical attention are all very well, but the serious artist hopes to make his reputation with a one-man show in a reputable gallery. Nothing demonstrates the current strength of British art — and the difficulties with which it faces the conscientious critic—than the unceasing round of excellent individual exhibitions to be found in London alone throughout the year. Selection is necessary, and blatant omission inevitable; sometimes there is nothing for it but to merely mention as many of the poor blighters as possible.

Terry Lee (Piccadilly Gallery, 16 Cork Street W1: until October 24) studied at the Slade in the mid-1950s and enjoyed some immediate critical success, taking part in the first four of the biennial John Moores Liverpool Exhibitions (which began in 1957), winning prizes in two of them, and had his first London one-man show at the New Art Centre in 1960. But though his work has had its outings ever since, both in Britain and abroad, his has hardly been an insistent presence on the national stage.

This show—his first solo exhibition in London for ten years—makes it quite clear that such obscurity has little to do with the quality of his work, which is as exquisitely carried through as ever, but it does offer a clue to other causes. For Lee is not simply a painter of landscape and still-life — which might have put him out of court for the short period of abstraction's apparent critical ascendancy, now long past—but a painter whose works are characterised by a most peculiar intensity and distinction.

He is, in short, a romantic visionary, which until lately has been totally out of touch with the tastes of the times. His paintings even of the most deceptive ordinariness of subject—a few wilting wildflowers, perhaps, in a glass jar set before a battered mirror against the studio wall—are possessed of the most potent, albeit diffuse, symbolism. They are also very beautiful, and it is hard to understand why they have not yet sold out. The valley is dark beyond the table with its crumpled cloth, the atmosphere rich and heavy, Tennysonian: "Heavily hangs the hollyhock, Heavily hangs the tiger-lily."

Toeko Tatsumo at work

Graham Crowley (Edward Totah Gallery, 13 Old Burlington Street W1: until October 31) is another darkly ambiguous and portentous symbolist, but he is often openly humorous and always conspicuously more energetic in his treatment of his material. He is one of a clutch of talented artists, heterodox enough but inclined to the surreal, that came out of the painting school of the Royal College in the early 1970s but only now is coming into its own.

Crowley has been preoccupied with his present imagery, drawn upon an idiosyncratic and engagingly apocalyptic vision of urban life, at once nightmare and comic-strip, for some years now and this exhibition is entirely typical. Single houses teeter precariously above the jungle floor of crazy roofs and drunken chimney pots, bereft of any outer supporting walls. Bare bulbs cast eerie pools of light across the stairs and landings. All is bare floorboards, dereliction and gleeful, incipient collapse, if not some other lurking, unspoken horror.

The sheer vitality and imagery of the work is wonderfully enjoyable, but its more formal qualities are the more impressive. The technique with which these large canvases are carried through—the physical handling of paint, the control of space and form through all the distortions of an idiosyncratic perspective—and the scale on which they are sustained are what take the breath away; each one is a "tour de force."

Tricia Gillman (Benjamin Rhodes Gallery, 4 New Burlington Place W1: until November 7) is another painter, in her 30s, who shows an impressive new maturity and creative authority. She was always an expressionist of a romantic and decorative bent, loosely deriving her imagery from the figure and the natural world, and none of that has changed. If anything it has become even more unashamedly decorative, with its birds and flowers as it were stencilled and repeated, and every element laid out upon the coloured ground as though in the process of collage.

But this new-found simplicity of disposition, and with it the general restraint in the colour and the statement of the imagery, paradoxically shows a more ambiguous and resonant imaginative consideration. As with faded frescoes of which only odd passages remain, or swatches of old wallpapers revealed by chance, we forgo the full pristine splendour in favour of quieter, more mysterious pleasures.

Sean Scully (Mayor Rowan Gallery, 31A Bruton Place W1: until November 12) is a British artist resident in New York since the mid 1970s where, though he has continued to show regularly in London with the Rowan, his reputation has rather marched ahead of that at home. Some years ago the complex mesh of overlaid linear grids and structures, laid on with tape and spray gun, gave way to a much simpler and superficially cruder working of the surface and a considerably more massive a physical presence. The paint is laid on in a rich impasto, each composition a simple arrangement of broad horizontal and vertical stripes of various widths set counterwise. Yet his canvasses are now not mere supports to the painted image but objects that declare themselves proud of the wall sometimes by a foot or more.

Often a work is made up of several integral and abutted elements that are sometimes stepped together at different levels, across which divide the particular stripe, colour and painted texture must persuade the eye. They sound disarmingly simple things, but by their curious heraldic authority they make no concessions to any scepticism, and they stand as the most physically handsome new paintings presently on show in London.

Toeko Tatsumo (Fabian Carlsson, 160 New Bond Street W1: until October 17) is a Japanese painter having her first show in London. Coincidentally, her work is especially worth seeing with Scully's, for it has evolved to its present state from a similarly strict linear base; and, for all the looser format of its imagery and its integral surfaces, has much of the same physicality in scale, colour and painterly process. All the paintings work upon the flat plane of the canvas rather than with any direct illusion of space, and they are more decorative than heraldic; indeed the earlier of those shown here openly exploit cursive and repetitive motifs. The more recent mark a return to a more rigidly structured though still ambiguous and variable central image, a rough lozenge made up of variously rectangular bricks floating against a dense and variably coloured ground. It is an impressive body of work and, for Miss Tatsumo, an impressive debut.

The Steamie/Pavilion, Glasgow

Michael Coveney

The surprise phenomenon of this year's Scottish theatre has been Wildcat's touring production of *The Steamie*, which ended a fortnight's sold-out run at the Glasgow Pavilion on Saturday night. The hit of the spring Mayfest has been on the road since early last month, packing them in to village halls and civil theatres across the country.

Set in a 1950s Glaswegian wash house, Tony Roper's celebration of lost community values is less of a "work" play than a sort of variety bill for four actresses and a keyboard musician. It resembles *Le Lavoir*, which visited this year's Edinburgh Festival, but that wash house was more imbued with values of realism and theatrical rhythms. Wildcat's fit-up job, directed by Alex Norton and designed by Malky McCormick, is a flimsy one-dimensional representation of green wash stalls and white-tiled interior. And none the worse for that. This is that rare commodity, genuine popular theatre, rough, warm and unpretentious.

The women assemble with tin baths balanced on old perambulators groaning with sheets and clothes. The rubbing and scrubbing is secondary to the chat. This covers such subjects as drunk hubbies, bloody doctors, film memories and bulging brassieres. Songs and reminiscences are counterpointed with hopes for the future, the impossible dream of owning a telephone and a television, of perhaps living on one of the new housing estates like Drumchapel, the prospect of "leisure time."

Time has knocked the gloss off some of these aspirations, but Wildcat suggests something else has gone, too: a sense of community, of shared experience that was accommodated in places like the old wash houses — and the old variety theatres. The Pavilion's heaving, laughing and crying audience—composed mostly of middle-aged and elderly working-class ladies — took the point and raised the roof.

Each half contains a sequence of surreal, hilarious pure music hall. The first is an imaginary telephone conversation, the second a brilliantly sustained nonsensical marital anecdote about the quality of mincemeat to which the mysterious punch line is "Can I have another tatty?"

The quartet of washerwomen

Dorothy Paul

is led by Dorothy Paul's imperiously unimpressed blonde Margit, and she has tremendous support (poor love, she says she's "all behind") from Katy Murphy, Elaine C. Smith and Harriet Buchan (who has just replaced Ida Schuster). The show is sponsored by the trades union NALGO as part of its "Make People Matter" campaign and is stuffed with such vivid Glaswegian phraseology as "He looks as though someone sat on his face when it was still warm."

The Steamie moves on this week to Greenock and Dumbarton, and the tour ends in November with two rather risky "away" dates in Edinburgh and Musselburgh.

The Steamie's author is also an actor: Tony Roper can be seen in the Glasgow Tron's tense and quick revival by Michael Boyd of Brian Friel's 1964 success *Philadelphia, Here I Come*. The device of a split dramatic personality may have dated, but this remains a marvellous piece about leaving home.

Friel's Donegal town of Ballybeg has been the backdrop of other of his plays, notably *Translations*, and events in Ireland over the past 20 years have led him to delve deeper into his local culture. But this spirited rejection of it remains a classic of its type, and the public and private faces of rebellious, mixed-up Gar O'Donnell are beautifully delineated by James Durrell and Gerard Mannix Flynn. Good, too, to see again that lovely young actress Michelle Fairley who first caught the eye in Christina Reid's *Joyriders*.

Borodin Quartet/Elizabeth Hall

Andrew Clements

It may be hard to believe, but the Elizabeth Hall was by no means full for Sunday afternoon's recital by the Borodin Quartet, the second of three the group is giving on its current visit to London. The only possible reason for the empty seats was the programme of Prokofiev, Stravinsky and Chaikovsky; those who stayed away missed an exemplary demonstration of quartet playing confirming, if further evidence were needed, that there is none finer to be heard anywhere today.

Prokofiev's Second Quartet demands the amount of care lavished on it here, even though the musical results do not quite justify all the effort. The slow movement is the most memorable portion, and it was treated by the Borodin with immense respect, realising its constituents — the [illegible] chording and harmonics, the lazily unravelled melodic lines — with immaculate fidelity. Even their resources failed in the stop-start finale, though the cello solo with which the musical mechanism rewinds itself was delivered with neat deadpan humour.

The cubist sketches of Stravinsky's Three Pieces of 1914 are frequently smuggled into programmes as a makeweight; it's not often that they are given the emotional gravity they deserve and were fully invested with here. Only the first seems to me an intentionally trivial piece — the sinister rhythmic dislocations of the second (wonderfully precise in this performance) and the icy, unearthly third (much admired by its composer) touch upon expressive worlds that Stravinsky was soon afterwards to go to great pains to expunge from his music. By giving the pieces the necessary space and seriousness the Borodin enhanced their stature enormously — what would this group make of Webern's Bagatelles and quartet pieces?

Chaikovsky's E flat minor Third Quartet belongs to the heartland of the Borodin's repertory. They handle it with minutely detailed elasticity, touching in an emphasis here, distending the tempo there, without ever momentarily interrupting the music's natural lyrical flow. The perfectly inevitable accretion of intensity in the slow introduction (renewed with increased vehemence and heartbreaking directness in the first movement's coda), the steady tread with which the funeral-march third was set in motion and its feather-light transitions, the high-speed exuberance with which the finale was propelled, a bravura display that never even momentarily lost its poise or rounded tone; all were products of ensemble work of the rarest kind.

BBC Symphony/Festival Hall

David Murray

At Glyndebourne this summer the conductor Lothar Zagrosek illuminated *Così fan tutte* with fresh (but faithful) ideas, put into execution with gleaming finesse. On Sunday he did no less for the Sixth Symphony of Mahler, a huge and fiercely challenging piece of a wholly different stamp. With the BBC Symphony electrified into marvellous form, the performance was a technical triumph of balance, pacing and eerie colour, of incessant insights and quick-heeled reversals, and it gripped like Grendel.

The dominant climate was high fever, for the risky pace Zagrosek set for the baleful opening march proved to be rigorously consistent with his conception of the whole work —a matching Scherzo, and the up-tempo portions of the Finale terrifyingly swift, but never any loss of focus or bite. He had to relent a little for the "Alma" theme (which loses a point); on the other hand, he exploited the haunted, crippled Trio to make an Hieronymus Bosch nightmare-vision of the whole Scherzo, and instead of wistful sweetness in the Andante he found tragic gravity and extraordinary dark hues.

In all this, Mahler's polyphony emerged with preternatural clarity, which bespoke not only a fine professional ear —the distant cowbells were magically effective — but an unerring grasp of interconnected musical detail. Many passages, and many subsidiary voices, revealed their precise symphonic sense better than in any performance I can recall; Zagrosek's loyal championing of highly calculated contemporary scores has paid dividends. Yet this Sixth was not just a treat for analysts, nor was the concentrated power of the murderous Finale just a matter of calculation, still less of headlong fury.

That displayed a formidable talent beyond mere expertise; and the superbly sustained response he got from the orchestra, despite gruelling demands on stamina, confirmed it. This partnership deserves an extended term. I should like to praise the first-desk players one by one, but I must also report that Felicity Lott delivered Berg's "Seven Early Songs" with melting sympathy (and score in hand: she will make loftier arches of the lyrical lines when she has them by heart). Zagrosek's accompaniment revelled in chamber-subtleties, not unlike his account of Mozart's Symphony no. 34 before it: light, dry but tautly alert, full of barely suppressed excitement.

Early romantics/Elizabeth Hall

Dominic Gill

The two concerts given last Friday and Saturday by the Orchestra of the Age of Enlightenment under the working title of "The Early Romantics," and under the lively direction of Charles Mackerras, were also advertised as comprising "first modern performances on period instruments."

That was essentially an intriguing red herring. The sound of orchestral instruments changed far more significantly during the 70 years between 1750 and 1820 than it ever has during the 150 years between 1820 and the present day. Some of the early 19th-century reeds, to be sure—especially the bassoons—may have had a slightly buzzier, more nasal timbre than they commonly do today; the tone of wooden flutes was certainly a shade warmer, less glossy-bright, than that of their later metal counterparts.

But by and large, as far as we can judge, instrumental timbres have altered surprisingly little since Weber's and Mendelssohn's day (that of two percussive instruments, the piano and the timpani, are notable exceptions). It's certainly fun to play concerts on "early 19th-century-style" (altered, which is to say, no longer baroque set-up) semi-gutstring violins without chin-rests, and to play the cello for a change, without a spike; but the sound they make will not (or, given an equivalent degree of competence, should not) differ notably from the sounds of so-called "modern" instruments.

Playing the finale of Schubert's Great C major symphony without violin chinrests, for example, does not alter the timbre of the music, or its sense or phrasing or impact, but simply makes playing it effectively just that much more difficult. The music as it stands is difficult enough, and poses precisely the sort of technical and physical problems which the introduction of chinrests was designed to alleviate. The finale of Schubert's C major symphony itself called for chinrests—not the other way round.

The real "authentic" delight of last week's performances was hearing early 19th-century music played for once by an enthusiastic, virtuoso ensemble of the correct proportions. Mendelssohn's Italian symphony quite simply makes more sense, and is far more cogent and more accessible, performed by the sort of band of around 60 players that it was written for, than it does performed by a full modern symphony orchestra twice that size. So indeed do Beethoven symphonies (although we heard none on this occasion), and Weber's clarinet concertos (the second of which in E flat, Antony Pay gave with sparkling bravura on an earlyish instrument) — and so above all does a collection as vividly and adventurously coloured as Mendelssohn's *Midsummer Night's Dream* music, which emerged as fresh and new-minted in this happy, buoyant performance as it can ever have done in any concert hall during the past century and a half.

The effect of the opening horn solo of Schubert's ninth symphony is not greatly different whatever kind of post-1820 instrument it is delivered on (there are substantial differences even between the horn timbres of, for example, the Berlin Philharmonic and the LSO today). The pleasure of the performance was in its close and detailed working, and the rhythmic punch and bounce, as well as the sheer variety of audible (although commonly inaudible) counterpoint, which Mackerras drew from his small and tightly disciplined band. Splendid concerts: and for the next one, the cellos can put their spikes back, and the sound will be just as clean and taut and clear.

Blues in the Night/Piccadilly

Kevin Henriques

This modest but irresistible celebration of the musical form known as The Blues has transferred from the intimate ambience of the Donmar Warehouse to the comparative arena-like spaces of the Piccadilly and seems to have lost nothing in its short journey. Three women and a man, backed by an on-stage sextet, sing, alone or together, a sequence of songs which have no particular thread other than they are blues or ones with a strong lyrical or melodic content.

The real, low-down, raunchy blues are the entertainment's focal point. Most of them are delivered with hefty ebullience by Carol Woods, a hugely likeable personality who just manages to avoid becoming a show business caricature of a cuddly, amply proportioned black female entertainer. She belts the Bessie Smith blues with unquenchable gusto and in the *double-entendre* numbers, such as "Take Me For a Buggy Ride" and "Kitchen Man," squeezes every conceivable naughty nuance from each word and phrase. Yet it is in the gospel-flavoured "I Wonder What Will Happen To Me?" that her range and true emotional depth are at their most potent.

Debby Bishop, slim and evoking the *distingué* Billie Holiday, throws herself energetically into Alberta Hunter's "Rough and Ready Man," a telling contrast to her imaginatively staged reading of Billy Strayhorn's haunting, timeless "Lush Life." A couple of Maria Friedman's features, "Willow Weep For Me" and "Taking a Chance on Love," are given a dramatic crescendo the composers surely never intended, her full-frontal attack on them bringing to mind Barbra Streisand. Peter Straker, not as frequently featured as his companions, makes up for this under-employment on Ida Cox's "Wild Women Don't Have the Blues," giving it plenty of *élan*.

The six musicians are naturally an integral part of the show and with three of this country's leading jazzmen—Henry Lowther (trumpet), Chris Pyne (trombone) and Pete Hurt (reeds)—forming the front line the quality of playing and support for the singers are never less than first class. A pity, though, that in places the drumming is 1980s-rock rather than 1930s-blues. But this is not an entertainment solely for blues and jazz buffs. Its pace, vitality and sheer happiness guarantee that anyone coming from the night into the Piccadilly feeling blue will not be doing so after two hours of *Blues in the Night*.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday

October 9–15

Opera and Ballet

LONDON

Royal Opera, Covent Garden: The new Royal Opera Nozze di Figaro combines the talents of Bernard Haitink as conductor, Johannes Schaaf (British debut) as producer, and a cast including Claudio Desderi, Thomas Allen, Karita Mattila and Marie McLaughlin. Further performances of the Bohème revival, final of Tannhäuser.

English National Opera, Coliseum: The Pearl Fishers, an opera of weak libretto but beautiful music, returns to London in a performance musically triumphant (with Charles Mackerras conducting and Sergey Leiferkus, Valerie Masterson and Adrian Martin, the excellent singers) over a rather ugly, confused production by Philip Prowse. The Werther revival has Arthur Davies and Ann Murray new to London in the leading roles; Sondheim's Pacific Overtures, an admirable addition to ENO repertory is on the whole very well performed despite minor flaws and longueurs) by the all-male cast.

WEST GERMANY

Berlin, Deutsche Oper: A guest performance by the Teatro alla Scala, Milano of Nabucco, conducted by Riccardo Muti with Ghena Dimitrova, Renato Bruson, Paata Burchuladze and Luciana d'Intino leading the cast.

Hamburg, Staatsoper: Turandot stars Beatrice Haldas, Peter Haage and Carl Schultz. Carmen is sung in French with Ruza Baldani, Rachel Joselson and Franz Grundheber. Il Barbiere di Siviglia and Die Entführung aus dem Serail is also in the repertory, and The Nutcracker, choreographed by John Neumeier is revived with Jessica Funt, Colleen Scott and Ivan Liska.

Cologne, Opera: Alida Ferrarini is repeating her praised performance as Gilda in Rigoletto, and Roland Hermann, Eva Tamassy and Randall Outland star in Harry Kupfer's production of Das Schlaue Füchslein.

Stuttgart, Württembergisches Staatstheater: Carmen Mammoser, Yasuko Kozaki, Rüdiger Wohlers and Jörn W. Wilsing take the leads in Martha and Reinhild Runkel, Karan Armstrong, Toni Krämer and Roland Bracht in Götz Friedrich's production of Die Frau ohne Schatten. Eva Randova, Gabriele Benackova-Cap, Matthias Hölle and Siegmund Nimsgern star in Aida. Alceste is conducted by Dietrich Fischer Dieskau and has Dunja Vejzovic, Tomoko Nakamura, John Sandor and Raymond Wolansky in the main parts. Iphigenie auf Tauris and Jenufa round off the week.

München, Bayerische Staatsoper: Così fan tutte stars Lucia Popp, Delores Ziegler, Julie Kaufmann, Claes H. Ahnsjö and Rolando Panerai. There is also Peter Beauvais' production of Die lustigen Weiber von Windsor, and a Falstaff with Pamela Coburn, Angela Maria Blasi, Brigitte Fassbaender, Rolando Panerai and Wolfgang Brendel. Heinrich Bender will conduct Madame Butterfly.

NETHERLANDS

Amsterdam, Muziektheater: The Netherlands Opera production of Verdi's Don Carlos directed by Alberto Fassini to the mise-en-scene by Luchino Visconti. Hartmut Haenchen conducts the Netherlands Philharmonic, with Neil Rosenshein in the title role, Susan Marie Pierson, Harry Peeters, and Mimi Lerner (Wed). The National Ballet company in the world premiere of Shamrock, a new work by Carolyn Carlson to music by Gabriel Yared (Thur). (255 455).

PARIS

Swan Lake alternates with Bach's Magnificat in John Neumeier's choreography with the Paris Opera's stars and corps de ballet in a co-production with the Avignon Festival at the Paris Opera (4742 5750).

Il Trittico: the Opéra Comique (4296 0611).

Kabuki – four centuries of Japan's popular traditions at the TMP-Chatelet (4233 4444).

Die Zauberflöte with Orchestre de Paris and its choir, Les Petits Chanteurs de Paris conducted by Daniel Barenboim in a new production by Jean-Pierre Ponnelle at the Théâtre des Champs Elysées (4504 1215).

NEW YORK

Metropolitan Opera (Opera House): Das Rheingold joins the repertoire, conducted by James Levine in Otto Schenk's new production with Hildegard Behrens, Gwendolyn Brandley, Anne Gjevang, Peter Hofmann and Franz Mazura. The week also features L'Elisir d'Amore conducted by Ralf Weikert in Nathaniel Merrill's production with Dawn Upshaw, Carlo Bergonzi and Brian Shexnayder; Manon, conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano and Alfredo Kraus; and Ariadne auf Naxos, conducted James Levine in Bodo Igesz' production with Jessye Norman, Kathleen Battle and Tatiana Troyanos. Lincoln Center (362 6000).

New York City Opera: The week features Madama Butterfly, La Bohème, Turandot, Faust and The Rakes Progress. Lincoln Center (870 5570).

Martha Graham Dance Company (City Center): A world premiere and major revivals will be included in the three-week season of the renowned company. Ends Oct 25. 55th e. of 7th Av. (581 7907).

Feld Ballet (Joyce): Two new ballets, Embraced Waltzes and A Dance for Two, highlight the mixed programmes of this 22-dancer company in its month-long season. Ends Oct 31. 175 8th Av at 19th St. (242 0800).

WASHINGTON

New York City Ballet (Opera House): Two week visit features mixed programmes including Swan Lake Act II, Agon and Brahms/Handel. Ends Oct 25. Kennedy Center (254 3770).

Saleroom/Antony Thorncroft

Snuff bottle week

This is snuff bottle week in London, with Christie's selling the collection of Chinese snuff bottles of the late Eddie Dwyer, a Californian couturier, yesterday, and Sotheby's offering the collection of Eric Young today. For potential buyers who can't aspire to the quality examples in these two celebrated groups, Christie's South Kensington is holding a generous auction on Thursday when most of the examples will go for a few hundred pounds or less.

Christie's brought in £228,679 from the Dwyer collection, but with 19 per cent unsold, mainly the inferior items. An oriental dealer paid £26,400 for an Imperial yellow carved glass bottle carrying the mark of the Emperor Qianlong (1736-96). The price for this celebrated bottle was at the top end of the estimate. A white jade bottle, also Qianlong, did surprisingly well, going to an English private buyer for £23,100, as against a top estimate of £10,000. The other important lot was a gilt-copper bottle, made around 1800, with panels of a lady in European dress. It doubled its estimate at £22,000. The saleroom was crowded with participants at the Convention of the International Chinese Snuff Bottle Society, meeting this week in open session at the Carlton Tower Hotel in London.

Christie's had one major disappointment at its auction of British ceramics yesterday. A Bristol white figure of Lu Tung-Pin, a Chinese immortal, made at Benjamin Lund's factory in 1750, was unsold at £9,500. The rest of the sale went well. Amor, the London dealer, paying £14,300 for a pair of Worcester blue scale tapering hexagonal vases and covers, of around 1768, and Brian Haughton, another London dealer, acquiring one Worcester plate from the celebrated Duke of Gloucester service for the same sum: it was made around 1775. A Longton Hall cabbage-leaf-moulded teapot and cover just beat its top estimate at £12,100, and a previously unrecorded example of a Staffordshire creamware "pebble dash" teapot and cover of around 1760, 13 cm high, more than tripled its estimate at £11,000, thanks to its rarity rather than to its drab appearance. Delftware seemed slightly out of favour, a London blue-and-white sack bottle bearing its date of 1647, was unsold.

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Anglo-Irish difficulties

THE ANGLO-IRISH agreement of November 1985 was always a flexible, even ambiguous document. It was not as bad as some of its opponents in Northern Ireland feared, nor was it as good as some of its authors in London and Dublin hoped. It did not sign away Ulster to the Irish Republic, either in the short or even the long term. What it tried to do was to provide a framework for consultations between the British and Irish governments on a question that has been worrying them both for rather a long time: namely, how can the two communities in Northern Ireland get on better together.

Because it contained ambiguities and was controversial from the start, the agreement was bound to be put to a number of tests. Some of those tests have been taken and passed. Mr Charles Haughey, for example, was the Irish opposition leader when the agreement was signed and gave it less than his full support. Since then he has again become Irish prime miister and appears to be happy to live with it. That may be partly because he has more immediate problems, such as the Irish economy. But it is still a sign that the agreement may have been designed to last.

Crucial test

Another, no less crucial, test was in the north. The Ulster Unionists rejected it. They complained, perhaps with some justification, that they had not been consulted. They hoped that Mr Haughey would be returned to power in Dublin and throw it out. They also thought that the British general election might just result in a hung Parliament where Unionist MPs might have more say in the future of the agreement.

When none of that happened, the second test was passed as well. A number of Unionists began to say during the summer that rejection of the agreement was a wholly inadequate basis for a policy. A group of them published a document called "An End to Drift" in July which more or less obliged the Unionist leaders, Mr Ian Paisley and Mr James Molyneaux, to resume talks with the British Government.

Thus, after a stormy first two years, the outlook for the implementation of the Anglo-Irish agreement began to look more promising. Since then, however, there has been a series of bewildering events. First of all, some of the younger Ulster politicians, notably Mr Frank Millar, the chief executive of the Unionist Party and a key figure behind "An end to drift", have decided to withdraw from politics on the grounds that the career prospects are bleak.

Yesterday the British Government published a discussion paper suggesting that anyone standing for political office in Northern Ireland will have to take an oath of allegiance renouncing support of any kind for any organisation prone to violence. And, as has been known all along, the Irish Parliament is due to vote at the beginning of December on whether to allow the extradition of supsected IRA terrorists.

Extradition was always difficult. Technically known as Irish accession to the European Convention on Suppression of Terrorism, it was meant to be a follow-up to the Anglo-Irish agreement. Dr Garret FitzGerald, one of the principal architects of the agreement, could not deliver when he was prime minister. For Mr Haughey it was bound to be even harder.

Bad timing

The publication of the British Government's discussion paper at this stage could make the task harder still. The principles are unobjectionable in that they are aimed at disqualifying from office candidates who campaign both through the ballot box and with the bullet, and while they look as if they are directed primarly at the IRA, they could also be applied to extermist Unionist organisations. Yet they will not be easy to enforce through the courts. They could be introduced in a rush, the Irish Government has not been much consulted and the timing is bad.

The Anglo-Irish agreement was only reached by contacts at the highest level; it begins to look as if attention at the British end has been slipping.

Bonn's welcome tax reform

THE WEST GERMAN government's plan to introduce a modest withholding tax on interest income has caused near panic in Frankfurt's securities markets. Bankers have roundly condemned the new tax, arguing that it would be unworkable and self-defeating. But while the markets have every reason to criticise the handling of the announcement (the finance ministry did not quickly follow up the initial rumours with a clear briefing), they are on much less secure ground in attacking its substance. The new tax should improve both the economic efficiency and fairness of the West German fiscal system.

The financial sector's vocal opposition to a tax that is to be applied at the mild rate of 10 per cent from 1989 is rather revealing. If West German markets go into a tailspin at the prospect of having just 10 per cent of interest income withheld at source then tax evasion must indeed be a chronic problem. Such a reaction suggests that the case for tightening the rules on grounds of fairness is extremely strong. Wage earners have little scope to dodge taxes. The main consequence of years of evasion on the part of relatively rich investors has thus been a heavier burden on the ordinary worker who already faces quite high marginal rates at modest income levels.

But there is also a strong efficiency argument for raising the effective tax rate on savings. West Germany, like Japan, is running a large current account surplus. This is the counterpart to a persistent excess of domestic savings over investment in the home economy. If the momentum of the world economic recovery is to be maintained, countries like West Germany need to be encouraged to reduce their surpluses by saving less and consuming more.. It would be unrealistic to pretend that a 10 per cent withholding tax on most forms of interest income will transform the picture. But it should, at the margin, stimulate consumption, at the expense of savings and this will be all to the good.

Capital flight

What about the bankers' objections? Will the tax push up interest rates and hence raise the cost of borrowing? Some small initial effect on interest rates cannot be ruled out: those who had previously evaded tax will demand a higher gross return. But markets will have two years to prepare for the change. The impact of this modest tax reform is likely to be swamped by macroeconomic factors. The size of the US Federal deficit and the health of the dollar in 1989, for example, will probably be much more important determinants of the cost of money in Frankfurt in two years' time than the withholding tax.

Fears of capital flight or large-scale portfolio shifts into Eurobonds (which may continue to pay interest gross) are likewise probably much exaggerated. Where individual investors are concerned, Britain already imposes a much tougher withholding tax on most forms of interest income income :tax is deducted, not at 10 per cent, but at the basic rate of 27 per cent. Yet the British Government experiences little difficulty in finding buyers for its securities. Foreign investors can invoke double taxation treaty rules in order to get rebates on the tax withheld. Withholding taxes on interest work smoothly in many industrialised countries; West Germany should be no exception - there is certainly no reason to suppose that the reform should materially impede its development as a financial centre.

Modest reforms

Apart from improving efficiency and fairness, the purpose of the withholding tax is to help finance the major tax cuts scheduled for 1990. Is it therefore taking the place of economically more desirable but politically more painful cuts in industrial subsidies? Perhaps, but the effect is rather modest. The withholding tax will raise only DM3½-4bn : it cannot therefore be substituting for the elimination of more than a tiny fraction of the subsidies, which are running at around DM 130bn a year according to OECD estimates.

The furore that has surrounded the planned withholding tax demonstrates the difficulty of pushing through even modest microeconomic reforms in West Germany. If the Government is to make any progress in reshaping more controversial taxes and subsidies, it will have to improve its presentational skills.

Peter Montagnon reports on efforts to reconcile controversial versions of the US Trade Bill

Houses divided against just about everyone

FOR MONTHS, the world has been on tenterhooks about US trade policy, fearing that a bout of sustained protectionism would be sufficient to stop in its tracks an already shaky global economy. The world, however, will have to wait a good deal longer to know where it stands.

Intended as a complete overhaul of US trade law, different versions of the Trade Bill, both of them highly controversial, have been passed by the House of Representatives and the Senate. Now starting on Capitol Hill is the complex effort to reconcile the two documents into a single piece of legislation which Congress can pass and the President can sign. It is a daunting task for everyone involved.

Taken together the two versions of the bill run to nearly 2,000 tightly-printed pages. Around 200 senators and congressmen, representing 23 committees, will be involved in the reconciliation process, which congressional staffers admit will probably take months.

The perceived wisdom of the international community is that the US in general and Congress in particular has turned rabidly protectionist in the wake of a 1986 trade deficit, put at $156bn (£94.5bn). But the sheer complexity of the legislation has thrown up other strands. Strategic differences and an internal struggle for influence within the Democratic Party, and the age-old tussle for power between legislative and executive, now overshadow the debate.

When the Reagan Administration decided last year to work with the Congress to enact a trade bill, it attempted to label the process "US competitiveness", aiming to broaden the debate and dilute the strain of pure protectionism then running strongly in Capitol Hill's bloodstream. It was a theme that some in the Democrat-controlled Congress, notably House Speaker Jim Wright, took up and manipulated.

A common view is that Mr Wright, aided and abetted by Senate majority leader Robert Byrd, set out to allow Congress to run away with itself and produce a bill containing so many unacceptable elements that it was bound to be vetoed. The Democrats would then be able to say that the Republican Reagan Administration was soft on trade, making it a live issue for next year's presidential elections.

Against this school are marshalled Dan Rostenkowski, chairman of the House ways and means committee, and Lloyd Bentsen, who heads the Senate finance committee. By instinct they are pragmatic free-traders who want the Democratic Party to show a responsible face, and they are uncertain whether trade is an issue that can capture the electorate's imagination.

So the Congressional debate on trade has been sucked into internal Democratic Party politics. The Administration has pinned upon Mr Bentsen and Mr Rostenkowski its hopes of constructing an acceptable bill, but this depends on Mr Wright's influence waning as confusion over the trade legislation deepens.

The process is inevitably going to be turbulent and some congressional staffers believe it may take until the New Year to complete the reconciliation. Meanwhile trade experts in Washington are mulling over several scenarios.

Among these is the possibility that the conference between the two houses will end up in deadlock, no bill will emerge and Congress will eventually lose interest. Another is that, after a long period of confusion and inaction, much of the extraneous ballast surrounding the Trade Bill will be jettisoned in favour of a simple piece of legislation quite different from that now contemplated.

The most likely scenario is a complex bill giving Mr Reagan a stark choice of signature or veto

But the most likely scenario remains that the conference will come up with a complex bill, confronting the President with a stark choice between signature or veto. Its content would depend heavily on the degree to which Mr Bentsen and Mr Rostenkowski, with the Administration behind them, manage to wrest control of the legislative process from Mr Wright.

One of the main prizes the Administration hopes to win from any bill is the negotiating authority it needs from Congress for the Uruguay round of talks on the General Agreement on Tariffs and Trade (Gatt). Some trade experts maintain that this authority is only necessary for the final stages of the talks, which remain years away, but without it the round could lose momentum and make it difficult for the US to achieve quick progress in some key areas, notably agriculture.

The Administration has a long list of objections to items in one or other of the bills passed by the House and the Senate. These include the Senate provisions to require advance notification of plant closures in the US, and to impose sanctions on Toshiba of Japan and Kongsberg of Norway for their part in sales to the Soviet Union of sensitive technology for the manufacture of quiet submarine propellers.

The House bill would introduce registration for foreign investment in the US and, like the Senate bill, would enhance the Administration's authority to restrict foreign investment. The House bill also includes the internationally notorious Gephardt amendment requiring retaliation against countries persistently in trade surplus with the US.

Each of these provisions would probably be enough to ensure a Presidential veto. Indeed the Administration has promised to veto most, if not all, of the clauses in the two bills which have aroused the greatest international alarm. The prevailing view in Washington is that such a veto would not be overriden by Congress.

If these clauses remain in the legislation, therefore, Congressional aides say it will be because the Democrats have deliberately chosen to provoke a veto so that trade can be raised as a major issue in next year's elections. Since the Administration is also expected successfully to veto separate legislation introducing fresh curbs on textile imports, it could appear that the international community has been worrying about nothing.

Yet such an assumption looks wide of the mark. The original Gephardt amendment has already been watered down by the House so that it provides a let-out from sanctions where the President determines they are not in the national interest. Most Congressional experts assume this will be further diluted. But that still leaves plenty of potential snares in the legislation's small print, where the Administration policy on veto is far less clear.

"What cannot be underestimated, particularly by the Administration," says Bill Archey, Vice-President of the US Chamber of Commerce, "is the underlying emotional drive for trade legislation. The view of the Congress that some of our major trading partners do not play fair, that they cheat and take us for patsies is gut level, is visceral, and finally it transcends party or ideological affiliation."

The message is that even if the Administration can weed out of the bill all that is conspicuously objectionable, it will find it hard to change the general flavour.

Already some of the technical clauses are causing great worry among the US's trading partners, even though they are less controversial within the US. One is an amendment to the law on patent infringement which removes the requirement on the Administration to wait until injury is proven before imposing sanctions. The provision is similar in both versions of the bill and since it is supported by the Administration, it is likely to be included in any final law.

At a more philosophical level, the debate also hinges on the degree to which the President should be entitled to discretion in the conduct of trade policy. In principle, trade policy is the prerogative of Congress (which is why the Administration needs negotiating authority for the Uruguay round), but it has traditionally been delegated to the Administration. After years of mounting trade deficits, Congress wants to take back this prerogative, sparking a power struggle between legislative and executive branches of government.

Thus it is important to note that both versions of the bill contain a number of clauses which would reduce presidential discretion to waive action either against dumping or against unfair foreign trade practices. Both add new "unreasonable" practices, such as denial of workers' rights, foreign government toleration of cartels and certain kinds of export targeting. Both require the President to impose sanctions more frequently than has previously been the case. This would make trade disputes both more common and harder to resolve through negotiation.

Clayton Yeutter, US Trade Representative, says the Administration is not prepared to give much ground on the discretion issue. "We have to be concerned about how government

'The view of Congress that some of our trading partners do not play fair is gut level'

operates in the future, too. We have an obligation to protect the interests of the executive branch for the next half century," he says.

Other items on the Administration's shopping list include ratification of the resolution of its dispute with the European Community (EC) over pasta, citrus and almonds; confirmation of its participation in the World Bank's Multilateral Investment Guarantee Agency (MIGA); and approval for the new international customs classification codes, due to come into force in January.

In practice, President Reagan's decision whether or not to veto the bill will depend on the degree to which a limited curb on discretion is worth accepting to see these measures passed. It will also be a political question, depending on whether the Republican Administration is prepared to see trade become an issue in next year's elections.

One Administration hope is that the trade deficit will begin to narrow significantly after a disappointing performance in the early months of the year. If it does, it will dampen the protectionist clamour in Congress.

Yet privately some senior Administration economists suggest that a meaningful improvement in the trade position will take a long time, in spite of the travails of the dollar. In certain key areas, notably motor vehicles, it could become worse before it gets better - the US-Canada trade pact is one of a number of developments which in time should help stem the flow of Japanese vehicles into the US. With the prospect of rising inflation, rising interest rates and the possibility of a recession on the not-too-distant horizon, the climate for trade legislation could become worse.

Already, according to Sir Roy Denman, head of the EC delegation and a veteran observer of the Washington scene, "the lobbies of free trade have been weakened."

Mr Archey, of the Chamber of Commerce, says it is not a clear-cut fight between quick-fix protectionism and blinkered free traders, but any bill that is passed by Congress "will be tougher than present law and will lay a marker down to our trading partners that the US intends more aggressively to assert its legitimate trade and economic rights on the world stage."

For the rest of the world, the bleak realisation is that the trade climate is likely to deteriorate anyhow, even if a bill is vetoed. Mr Yeutter says that aggressive policy on trade will continue, bill or no bill.

Men and Matters

Market forces at work

The European Community is still, in parts, a very uncommon market.

A journalist friend driving from Germany into Italy stopped at the border post at Chiasso at around 8am. Almost as an afterthought he mentioned to the uniformed official that he was taking a "keyboard" and printer down to his office in Rome. He thought his Italian faulty when he heard that he should book a room for the night because there was no way that he would be cleared that day.

He had not misheard. Walking disconsolately into the border town he experienced being told that an Italian "agent" could often help speed up border procedures.

He found one, who, in return for an initial payment of L400,000 (£180), furnished him with a rack full of documents testifying to the fact that he was importing a range of goods - but not, it seemed, a printer and keyboard. The agent was given an extra sum of money for an uncertain destination and the traveller was able to quit Chiasso at 8pm, after a modest delay of just 12 hours.

Nonetheless, the boot of his car was sealed along with its contents because he had to acquire final clearance from the customs offices in Rome. Once there, his heart sank. He lacked the years of experience and angelic temperament needed for the form filling and circulating around offices which obviously faced him.

By good fortune he found an ally - an official who, perhaps, for reasons of humanity, showed him how to fill up the appropriate forms, when to offer a fictional account of the goods in the boot of his car, and the directions of the four or five offices which had to be visited in the course of the day.

No money changed hands, and my friend now looks upon this ally as a kind of guardian angel who saved him from a Kafkaesque nightmare in which officialdom was always demanding the one document which the innocent victim never seemed to have.

None of this should really be happening - in the European Community of 1987, and it should disappear with the arrival of the "real" common market in 1992. But will it?

No cover story

The Queen may have had an uninvited visitor in her bedroom once, but it is surely unusual for heads of state to invite strangers into their inner sanctuaries.

President Corazon Aquino of the Philippines yesterday did just that - inviting the entire palace press corps into her bedroom. She took the unusual step after one of Manila's best known newspaper columnists said she hid under her bed during the attempted coup in August when rebels and loyal soldiers were firing at each other close to her house.

The accuser, Luis Beltran, is one of dozens of columnists who dominate the pages of Manila's 24 newspapers. Their canned opinions are often glib, frequently self-important, sometimes penetrating, and in any case, essential reading. But, one suspects, they are often libellous. Mrs Aquino clearly thought so.

To prove her point, the furious President led the palace reporters the 400 yards from Malacanang Palace to her house where she lifted the skirt of the bed cover to reveal a solid-sided box frame. She pointed out that it would be impossible for anyone to squeeze under such a bed; and then went to file libel charges against Beltran.

It is not the first time a Philippine president has dramatically refuted public accusations. In 1983, the then ailing President Ferdinand Marcos, revealed his stomach to the world on television to show from the lack of scars that he had not had a kidney transplant. It was not conclusive proof. When he was whisked away to exile in Hawaii last year, he left behind him in the palace four kidney dialysis machines.

"Usually it's the racing results - now he's sad in the list of runners for Tory Party chairman."

Out of school

On his return from holiday recently an analyst on the London stock exchange found waiting for him a confidential letter from the exchange authorities.

It contained the sad news that he had failed the investment analysis paper in the July securities industry exams.

He was reminded he would need the qualification in order to become a member of the exchange.

It so happens that our hero has been a stock exchange member for the last 10 years, is an examiner in investment analysis, and did not sit the exam anyway.

Body politic

Hungary's unpopular new personal income tax which is to be introduced next January provoked a question from a viewer of a phone-in programme on Hungarian television.

The unidentified viewer asked Karoly Ladvanszky, deputy Minister of the Interior, whether the tax would be levied on "women who sell themselves" and have a monthly income of 60-80,000 florints (£770-£1020). Average monthly earnings are 6,000 florints.

The deputy minister replied that he was not sure whether earnings from prostitution count as "visible or invisible income" or how one would levy a tax on it. "Perhaps I will have to ask the Minister of Finance," he said, adding as an after-thought that prostitution was a crime.

Did this mean, the caller asked, that it could not be taxed because "we would, de facto, legalise it if we did?"

Correct, said the deputy minister. But the question should not be taken lightly, he noted. It should be "approached" as a criminal act.

Piggy bank

Barclays Bank has formed an unlikely joint venture with the National Pig Breeders' Association, agreeing to sponsor the search for Britain's top porker for the eighth successive year. The national competition to find the champion young show pig kicks off on Thursday at the Suffolk Showground's 1987 Pig Event, and closes with the presentation of the Barclays Bank Pig of the Year Award at the East of England Show in Peterborough in July. It seems that as far as Barclays is concerned, UK pig farmers are continuing to bring home the bacon.

Observer

West Germany's nuclear programme is under pressure. **David Marsh** talks to the chairman of the country's top power station builder

The burden of Chernobyl

Barthelt: believes anti-nuclear opposition will be temporary

"WHETHER we in Germany say farewell to nuclear energy is a matter of complete indifference to the rest of the world. If we were no longer there, there would be one less competitor on the market, and one which I think produces good nuclear plants."

That is how Mr Klaus Barthelt, the veteran chairman of Kraftwerk Union (KWU), West Germany's leading nuclear power station builder, sees the political debate over whether the Federal Republic will decide on an *ausstieg* (exit) from atomic energy.

Mr Barthelt, a tanned and avuncular 61-year-old, thinks of course, that the idea is nonsense.

But he is forced by powerful German nuclear sensitivities - which have grown more rapidly probably than in any other country since the Chernobyl accident in April last year - to put his arguments in a diplomatic, even philosophical way. He may be the prime spokesman of the West German nuclear business, but he has to be an ambassador, not a lobbyist.

At the helm of KWU since it was set up by Siemens and AEG-Telefunken in 1969, he is in a unique position to measure the degree to which the aspirations of the Federal Republic's nuclear planners have failed to be fulfilled. As a sign of how horizons have been lowered, KWU this month came fully under the wing of Siemens - a means of shepherding it through a period when domestic and export orders are expected to decline.

KWU was formed in the heyday of what Mr Barthelt now believes was overdone euphoria over nuclear power. KWU's two founding shareholders broke away from the licensing agreements which previously bound the fledgling West German nuclear industry to Westinghouse and General Electric of the US.

KWU represented West Germany's hope of striking out on an independent technological path in an industry confidently expected to be one of the money-spinners of the late 20th century.

It has not turned out that way. Dire problems emerged in a ground-breaking contract with Brazil signed in 1975 under which KWU became the vehicle for West Germany's bid - hotly disputed with the US - to build up a major share of the nuclear market in the Third World.

At home, once-rosy projections for fast expanding nuclear energy generation have been progressively whittled down for both political and economic reasons.

Plagued by financial problems, AEG made over its shareholding to Siemens in 1977, giving the Munich-based electricial giant 100 per cent control. From October 1, KWU has ceased to exist as a separate entity, becoming an operating division of Siemens.

Mr Barthelt has given up his post as chairman and become simply head of the division - but with a seat on the Siemens board. KWU stands to benefit both from the financial backing of its parent and from additional energy technology activities including in the solar field - transferred to it from Siemens.

"I believe the difference will be marginal," says Mr Barthelt. "We have always felt ourselves part of Siemens, and tomorrow we will be even more close. Energy production and power station technology were always a key part of Siemens."

But there is no doubt a chapter has been closed. KWU faces a string of challenges in coming years.

It is planning to make workforce cuts of between 20 and 30 per cent by 1991, largely through early retirement. And its majority control of the troubled Alkem nuclear fuel plant at Hanau near Frankfurt, the centre of a long-running legal and political tussle over alleged infringements of nuclear regulatory rules, is a continuing worry.

A DM1.6 bn (£533m) order to play a leading role in building the controversial planned reprocessing plant in Wackersdorf in eastern Bavaria could also be at risk if clouds over the project grow heavier in coming years.

KWU is not giving up the nuclear battle either at home or abroad. It is still negotiating over nuclear orders for China despite Peking's decision last year to scale back its atomic energy plans. It has high hopes of winning business for post-Chernobyl modernisation of Soviet plants. But, amid ever tougher international competition for a shrinking export market, KWU is trying above all to strengthen its presence in the nuclear services market - underlined by its agreement in June with Bechtel to co-operate in nuclear plant maintenance, repair and other service activities in the US.

Barthelt believes that the industry will continue to labour under the burden of Chernobyl for some time to come. It had been well on its way to recovering from the public concern caused by the Three Mile Island nuclear accident in Pennsylvania in 1979, he says. But he adds: "This has now been drastically interrupted by Chernobyl - and it will be a lot longer before we have normal conditions."

Barthelt admits that the industry's strategy has also been faulty. "The main error (of KWU and other parts of the nuclear business) was in the time before 1975. In this period, when people were basically positively disposed towards nuclear energy, we should have done more to make the technology understandable, to explain more about radioactivity. We should have said that we all live with radioactivity, terrestrial and cosmic. We should have realised that this technology would not simply drive itself."

As if to illustrate this comment, the opposition Social Democratic Party (SPD) - which gave the main impetus to the German nuclear build-up when it was in power in the 1970s - 10 days ago confirmed its policy calling for a nuclear *ausstieg* over the next decade.

In line with the less aggressive approach now being taken by the atomic energy lobby towards nuclear protesters, Barthelt does not pretend that a switch away from nuclear energy in West Germay would lead to "the lights going out." He also refuses to criticise the higher cost of electricity from coal-fired power stations. He underlines that KWU makes conventional as well as nuclear plants, and that the country's present energy strategy is built firmly on both.

Barthelt says he seeks contact with the anti-nuclear movement, but says of the Greens ecology party, "If you tried to convert Mr Gadaffi to Christianity, that would be comparable to the task of trying to change the Greens' mind. The Greens are such a heterogenous movement that they can only be held together through protest - and nuclear energy is the clamp."

Why has German nuclear opposition always been much more heated than in France? Apart from the traditional pro-nuclear political consensus in France, Barthelt says, "The French have a notable ability to be proud of their technological achievements. That is something which we have lost. The French also have a central government which determines the order of things, in contrast to the federal German system."

The only time that he becomes remotely heated is when discussion turns to Cattenom. The French border-town nuclear plant in Lorraine has attracted vehement protest from neighbouring Luxembourg and the Saarland - most notably from Mr Oskar Lafontaine, the SPD Prime Minister of the Saar, who is widely tipped as the party's next leader in the 1990 general elections.

"Mr Lafontaine says that the French can decide with sovereignty, in the case of a core meltdown at Cattenom, whether Luxembourg can exist or not. That is just rubbish," says Mr Barthelt with finality. On the other hand, if Mr Lafontaine and the SPD do make it back to power in 1990 - a prospect which at the moment seems unlikely - then Siemens and KWU will have to revise their strategies yet again.

FOREIGN AFFAIRS

A victim of consensus at all costs

The Commonwealth Heads of Government meeting opens today in Vancouver. **Robert Mauthner** assesses the prospects

UNLIKE Christmas, the Commonwealth Heads of Government meeting starting in Vancouver today comes only once every two years. But people's attitudes to the two festivals are, in many ways, very similar. For some, they are occasions for celebrating a common faith and renewing family ties. For others, they are nothing more than sentimental charades, during which people who have little in common and whose interests and personalities often clash, make vain attempts to give an impression of unity.

The Queen, who manifestly takes her task as Head of the Commonwealth very seriously, obviously falls into the first category. "One of the great strengths of the Commonwealth lies in its ability to find solutions based on the fundamental good will of its individual members and its willingness to reach compromises on difficult problems," she said in her Commonwealth Day message earlier this year.

Whatever the sincere sentiments behind this statement, it has unfortunately proved to be true only in exceptional cases. Undoubtedly, the best example was the Lusaka Heads of Government meeting of 1979, which laid the foundations of a common policy for the independence of Zimbabwe. As often as not, however, the compromises reached barely managed to paper over the yawning gaps dividing the member states and were no more than linguistic devices to enable a joint communique to be issued at the end of the conference.

Disagreements over economic sanctions against South Africa produced a level of virulence and hostility between the black African leaders and Mrs Thatcher normally reached only between mortal enemies. As a result, President Kaunda of Zambia initially threatened to leave the Commonwealth altogether, while the comments of Mr Bob Hawke, the Australian Prime Minister, about his British colleague's attitude were, typically, unprintable.

The sanctions debate has accelerated a shift in the balance of power within the Commonwealth. Britain's position as the senior member of the club, always able to count on the support of the "old" white Commonwealth countries of Canada, Australia and New Zealand, is no longer undisputed. On South Africa, Mrs Thatcher has fought a lonely battle against the combined forces of the old and new Commonwealth and has seen a serious erosion of the UK's traditional role as leader and guide of the 49-member association. Nowadays, it is more normal for the UK to find itself in the role of "odd man out".

That does not necessarily invalidate some of the arguments employed by Mrs Thatcher against economic sanctions, but it is a factor which has to be taken into consideration in any discussion of the Commonwealth's future. A growing body of critics feels that the sanctions debate has merely underlined the futility of the attempt to pursue common policies by countries whose fundamental interests are so inimical.

The grounds for bitterness are not only on one side. The black African states may be angered by the refusal of Britain to back up its condemnation of apartheid with comprehensive economic measures. But Britain also has very legitimate reasons for complaint about the hypocrisy and double standards of some of the African members of the Commonwealth, both in the economic and political spheres.

In the first place, Britain has been asked to carry by far the greatest economic and financial burden of a joint sanctions policy because the other members either cannot afford the economic or political cost of adopting similar measures, or do not have any significant trading links with Pretoria. One would also like to see those who are constantly giving lectures on the failure of others to respect democratic rights and human liberties give a little more attention to these problems within their own borders.

Who can take the Commonwealth seriously when it has in its midst countries like Zimbabwe which is preparing to introduce one-party government; Kenya, whose record on human rights and freedom of speech is seriously flawed; and Singapore, where the stunted state of political democracy has singularly failed to match economic achievement?

So why should this "ramshackle absurdity", as Mr Enoch Powell described the Commonwealth recently, continue to exist? The short answer is: only if it can improve itself, become a more positive forum for co-operation and international action and if it begins to apply some of the lessons at home which it preaches abroad.

The traditional arguments in favour of maintaining the Commonwealth, though they should not be ignored entirely, are scarcely sufficient justification. No doubt, beyond the abuse and invective, there is a level at which most of the Commonwealth leaders feel that they share a political and cultural history and tradition as former members of the far-flung British Empire. They can converse and insult each other in the same language and that is comforting. So too, is the feeling of being part of a more intimate international grouping than the impersonal United Nations.

Apart from these somewhat intangible factors, however, the Commonwealth has shown that it can make a unique contribution to the solution of some international problems which closely concern it for historical, geographical or other reasons. The acrimonious debate over sanctions has sometimes made people forget the admirable work of the Eminent Persons' Group on South Africa.

Though it failed, through no fault of its own, in promoting a dialogue between the South African Government and leaders of the country's black community, this heterogeneous group of Commonwealth representatives produced an admirably thorough and objective blueprint for a political solution in South Africa. It is doubtful whether the quality of its report, which has become a standard work on the subject throughout the world, could have been matched by any other international organisation with a less close involvement in South African problems.

If the Commonwealth is to survive it will have to adopt the same constructive attitude at Heads of Government level as that which imbued the EPG, which was also made up of people of various nationalities and races, with very diverse and often opposed political opinions.

Too much emphasis has been placed in the recent past on the differences between the member countries, whereas there are clearly areas in which there are good prospects for agreement. In this respect, it is not entirely a bad thing that one of the major issues on the agenda of the Vancouver meeting should be the coup in Fiji.

The racial aspect of the coup - the attempt by Colonel Rabuka to install a system under which the indigenous Melanesian population, though in the minority, would always be assured of a political majority - has been widely condemned and has produced an unaccustomed degree of unity in the Commonwealth. The Queen's role in the whole affair, though some would argue that it borders on interference in the internal affairs of an independent nation, served to remind the world that the edifice of the Commonwealth was still held together by some sort of constitutional cement.

Joint positions and action on affairs like the Fiji coup should be complemented by effective policies of real relevance to the developing countries, who make up the bulk of Commonwealth members. It was a felicitous move by Mr Nigel Lawson, the Chancellor of the Exchequer, to seek the backing of Commonwealth Finance Ministers for his plan to relieve the debt burden of nations in sub-Saharan Africa, before presenting it to the International Monetary Fund and World Bank meeting in Washington. It will also restore some of the Commonwealth's sense of purpose and mission if agreement is reached, as seems likely, on an economic aid package for the hard-pressed group of Southern African "frontline" states.

The idea that consensus must be reached at all costs on all subjects has done much more harm than good to the Commonwealth's image. Yet if more time is spent on problems on which a genuine consensus and effective joint policies are feasible, then the ailing patient may yet be given a new lease of life.

Letters to the Editor

A question of responsibility

From the Chairman, P & O Steam Navigation

Sir, - May I reply to the conclusions of your leading article "A question of responsibility", of October 12.

I always have recognised our corporate responsibility for the loss of the Herald of Free Enterprise. That was accepted by Townsend Car Ferries at the judicial inquiry. As the parent company P & O has always shared that responsibility despite the very short period of ownership - it is inconceivable that it could have been an "us and them" situation even if that period had been five minutes.

I take no pleasure in recognising that those directly involved in the cause of this accident have and will suffer for the rest of their lives and I believe that no good purpose would be served by prosecution.

There was, from the outset, no doubt in our minds that a radical view of compensation arrangements was demanded.

Our aims from day one were: (1) ex gratia funds to be immediately available to meet the short term material needs of survivors and next of kin; (2) a review of the Athens Convention limit of liability (subsequently moved from £38,500 to £80,000); (3) levels of settlement, bearing the law in mind, that were just; (4) eliminating, as far as possible, administrative delay, enabling claims to be met quickly and efficiently; and (5) an ex gratia fund to meet the needs of exceptional cases of material hardship not catered for within the legal framework.

I believe these objectives have been met.

May I conclude by saying that nothing compensates for the loss of a human life and I consider it a prime responsibility of this group that such an accident never happens again.

(Sir) Jeffrey Sterling,
79 Pall Mall, SW1

Placing an order

From Mr D Bishop

Sir,- I read with interest Mr Potts letter of October 6. The points he makes, however, are not very persuasive.

For example, the problems associated with not knowing the unit price are rather overstated. It appears he will be able to place an order in the morning and ascertain the unit priced by telephone later the same day after the price has been fixed and the managers have declared the number of units to be created to the trustee. This is not too dissimilar to the position of a small investor buying shares who rarely deals at the prices indicated by brokers or even on the screen. It also seems a considerable improvement on the present situation where people like Mr Potts discriminated against less sophisticated investors or continuing unit holders by moving in and out of funds with the benefit of dealing at yesterday's prices while knowing today's market movements. If such a method of dealing were to be suggested for other security markets it would be considered ludicrous.

Then there is the complaint about investing £50,000 over a range of funds in round hundreds of units. Even today there is likely to be a balance of uninvested cash. For the future Mr Potts will instruct the fund manager to invest £X to the nearest round hundred units below that sum. Switching between funds may pose a small problem and it may be that the investment adviser will have to hold a small balance of cash for his client - as often is the case now. My guess is that if the adviser is contemplating switching from manager X to manager Y if the latter was told that there would be approximately £A to invest he would hold the order open for confirmation of the actual amount to be invested - since, as Mr Potts knows, managers will be creating units in round numbers and not attempting to match orders exactly - and if they are satisfying the order from their box the exact number of units will not be an initial critical factor.

As for the threat to go offshore. The declared intention of the major off-shore regulatory authorities is to follow the UK and I am sure that Mr Potts would not wish to burden his clients with the higher charges and inferior investment advice, which sometimes exists, or to deprive them of access to excellent UK management companies.

D Bishop
75 Valliers Wood Road
Sidcup, Kent.

Unit trust pricing

From Mr D Pearson.

Sir,- The unit trust pricing system works well as it is. There is a mechanism to re-value the price of units if the underlying assets rise by more than (usually) 2.5 per cent between valuations so that existing investors are protected and new investors pay the going rate for the units.

The box system also works well, and so what if the unit trust company makes money out of it - it can also lose money this way.

On Mr Taylor's point (October 8), with which I concur, but would add that investment into insurance bonds is usually at 'next price' and therefore 'blind' as are the prices on switching between investment sectors of an insurance bond policy.

Funny, nobody complains to that - so why change things.

D Pearson,
9, Peters Close,
Stanmore, Middlesex.

Why the City pays

From Mr I Waller

Sir,- Michael Prowse in his article 'Why the City pays so much' (Oct 9), misses the point of the economic argument he uses while attempting to show that City executives are overpaid. The theory of wage determination uses, on the demand side, not the marginal product but the marginal revenue product of labour. This is merely the marginal product times the price of the service.

Hence there are two reasons why City executives are 'worth' 250 times more than school teachers. Technology such as computerisation greatly inflates their marginal product. Since prices of financial services probably are 250 higher than the price of schoolteachers' services (to the government), it therefore follows that their marginal revenue product will differ to this extent and this will lead to large pay differentials.

Ian Waller
38 Northside
Clapham Common SW4

Divisive perks

From Mr D Crowe.

Sir,- I read with interest your editorial (October 8) entitled "When perks are divisive". I think though that it misses the point in two respects.

Most organisations cannot afford, because of recruitment pressures, not to give company cars, hence 80 per cent of executives have them. Although the Inland Revenue scale charges have risen over and above inflation in recent years the company car remains, to use the jargon, highly tax efficient. (Car sales tax must also significantly boost government revenue). More and more employers are reducing the salary entry level for cars in order to ease recruitment and retention pressures. In the computer sector, for example, salary entry can be as low as £13,000 a year.

You say that the onus should be on companies to make share options as widely available as possible. It is unlikely, however, that shareholders would allow any further dilution of the equity and in fact under the current requirements of the Investment Protection Committees all options granted under the 1984 Act and earlier executive schemes must not exceed 5 per cent of the company's equity and the totaal of all company-wide schemes must not exceed 10 per cent.

Denis Crowe
(Editor, Top Pay Unit),
Incomes Data Services
193 St John Street EC1.

Golden nest egg

From Mr P Chappell.

Sir,-Correspondence columns necessarily involve abbreviations of the argument which in turn introduce misunderstandings.

Let me first assure John Greener (October 3) that in the brave new world, when savings are made out of net income, all withdrawals would, of course, be free of any further tax. Employers' contributions to pension funds would continue to be tax-deductible in their books but assessed as a benefit on the employee. I am rather less convinced by his suggestion that the thinking if a 20 year old factory girl should be influenced by saving for her pension in 40 years' time; but I am very ready to recognise her need for a flexible "personal and golden nest egg" (his phrase), something which an occupational pension scheme does not provide.

Mr Jamieson (October 5) questioned the scale of pension contribution for a £100,000 per year manager. I hope I am reasonably familiar with Revenue limits on contributions by the self-employed; but Mr Jamieson will also be aware that a contribution rate (the specific phrase I used) to a final salary scheme can be as high as the actuarial certificate determines. I am sure he will be familiar with schemes where contribution rates at 40% or more have been agreed.

A practical example illustrates the cross-subsidisation inherent in a final salary scheme. A 55 year old manager on a salary of £60,000, suddenly raised to £100,000, needs an extra £300,000 odd set aside in his occupational pension fund during his last 5 years of active employment: should other tax payers help to provide this generous funding? Mortgage interest relief is rightly limited to a maximum benefit of £1,800 odd for an individual tax payer: perhaps a similar constraint should now apply to pension funding.

The vision of the prize remains. A single low rate of income tax, at around 20%, can be achieved by the simple mechanism of eliminating tax privileges for saving; the obstacles also remain, manned by the vested interests of those whose livelihood depends on fiscal distortions. Out of net income individuals will be able to save as they choose.

Philip Chappell,
Association of Investment Trust Companies,
16 Finsbury Circus EC2.

FINANCIAL TIMES

Tuesday October 13 1987

Stewart Fleming reviews the Vice-President's White House ambitions

Bush bids to beat the 'wimp factor'

WIMP is not a word which you will find in all dictionaries but its meaning is well understood by Americans.

It is a label which has stuck to Vice-President George Bush and which political strategists believe he must lose if he is to achieve his lifelong ambition and follow President Ronald Reagan into the White House.

The latest evidence to support this contention surfaced over the weekend in the results of a Newsweek magazine presidential preference poll.

The poll-takers had asked whether the "wimp factor" - the public image Mr Bush projects of being "gutless and weak" even when he tries to appear forceful and decisive - is a serious problem.

Of those polled, 51 per cent said "Yes" - a liability indeed for the 63-year-old Vice-President who yesterday travelled to his political home in Houston, Texas, to announce formally that he is a candidate in the 1988 presidential election.

It is an odd characteristic of the campaign for the 1988 Republican presidential nomination that one of the two front-runners, Mr Bush, is widely perceived to be too "nice" to be president, while the other, Senator Bob Dole, too malicious and nasty.

Many Americans would side with Senator Dole who clearly believes that when it comes to presidential politics "nice guys finish last."

But why has the Vice-President - who as a Second World War bomber pilot was a certified war hero by the age of 20 - been tagged as weak?

In part it has to do with his background - what Alabama Governor Bill Baxley reportedly described as "a pin-stripin,' polo-playin,' umbrella-totin' Ivy Leaguer born with a silver spoon so far back in his mouth that you couldn't get it out with a crowbar."

But it also reflects the interaction of his upbringing with the role he has been playing for the past seven years as Vice-President. It is a job which demands a degree of self-effacement and loyalty to the Commander-in-Chief and President that comes all too easily to a man brought up to believe that fairness, modesty and loyalty are virtues to be prized.

So easily, that wisecracks about Vice-President Bush reminding every American woman of her first husband and having put his manhood into a blind trust, have become common currency. It was Mr Morton Kondrake, a columnist for the New Republic magazine, who recently described the vice-presidency as "the Great Emasculator."

It is no accident that you have to go back 150 years, to Vice-President Martin Van Buren to discover a vice-president who was elected to the presidency from that position. No accident either that in modern times only President Nixon made the leap, and then only after an eight-year wait while Vice-Presidents Hubert Humphrey, Gerald Ford and Walter Mondale were all defeated when they tried.

George Herbert Walker Bush was born into the American squirearchy. His father was a banker at Brown Brothers and Harriman in New York. On his mother's side of the family, his grandfather George Herbert Walker was a wealthy southern plantation owner and businessman in St Louis. He was the donor of the Walker Cup, the British-American amateur golf competition trophy.

Vice-President Bush graduated from Phillips Academy in Andover, one of America's most celebrated private schools, and Yale university. Displaying the streak of independence and determination which his friends say (along with his war record) are public proof that the "wimp factor" is a figment of the media's imagination, he did not follow his father's footsteps and become a Wall Street financier, but moved to Texas and built his own oil interests, co-founding Zapata Petroleum.

His political career began in 1966 when he served the first of two terms in the House of Representatives. In 1970 and 1972 he failed in attempts to win a Texas Senate seat. He then began a 15-year period of public service which his admirers say makes him the best qualified of the 1988 pack of presidential aspirants - and his critics charge proves that his resume is based on political preferment not political savvy.

Before being humbled by Mr Reagan in the 1980 race for the Republican Party nomination, Mr Bush served as chief US delegate to the United Nations as a Nixon appointee, chairman of the Republican National Committee during the Watergate period, Ambassador to China, and director of the Central Intelligence Agency under President Ford. Since 1977 he has been in single pursuit of the presidency.

Today he is unquestionably the best organised, best financed, best known candidate. The latest polls show him leading Senator Dole by about 40 per cent to 24 per cent among voters inclined to vote Republican.

By late summer he had raised some $10m to finance his campaign. That, coupled with the organising effort he has made in key states, could well keep him in the race.

He is perceived to be following what has become known as an "inevitability" strategy, presenting himself as the natural and invincible front-runner, bringing comparison with Mr Walter Mondale's campaign in 1984.

But like Mr Mondale, his political foes say that his support is "a mile wide and a foot deep." Already in Michigan and Iowa poor performances in local party skirmishes have suggested that the comparison may have an element of truth to it.

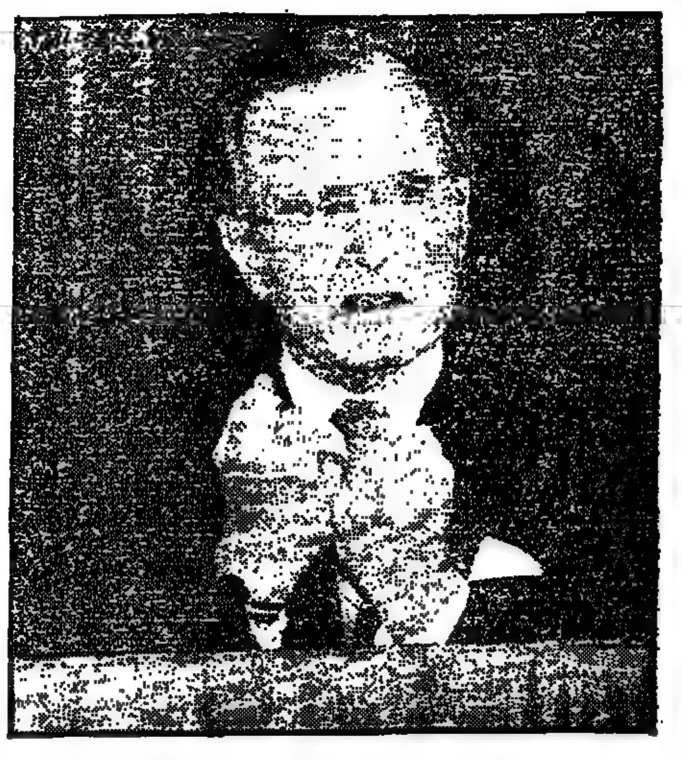
Although like all the other Republican candidates he is presenting himself as the natural inheritor of the Reagan mantle, and running on the Reagan record (a sound enough strategy while the economy is going well and talks with Moscow progressing), the activist conservative wing of the Republican Party distrusts him.

The man who in 1980 criticised Mr Reagan's economic policy platform as "voodoo economics," who expresses reservations about early deployment of the Strategic Defence Initiative and whose wooing of the right wing has been described as "a dinky tiny tarf," is not providing the ideological right with the rhetorical red meat it expects.

Mr Bush would be in a better position to risk offending an embattled Republican right if he could appeal strongly to middle America. But that too is proving difficult. While it is true that he surprised many of his critics by emerging unscathed from the Iran-Contra scandal, the fact that he appears to have played no significant role in the various covert operations which were run out of the White House is now being cited as evidence of his peripheral role in Administration policy-making.

As a presidential candidate, a succession of recent speeches about education policy, remarks to the effect that "letting go of the past is not easy. It's unsettling. It's confusing. At times it's painful" and bromides about "getting out in front of" global trends in the agricultural sector, have all helped to foster the impression that Mr Bush is unable to articulate his own vision of America's future and is able only to present a pale, and ultimately unconvincing, imitation of Mr Reagan's message.

The next few months will deliver the answer to those questions. The smart money today says that Mr Bush will be another candidate who succumbs to the curse that hangs over the ambitions of vice-presidents and which ensures that for every ounce of political strength the office bestows, it extracts a pound of public esteem.



In the cool shadow of Reagan

George Bush (above) yesterday launched his own presidential campaign by starting to define the differences between his vision of America's future and that of Ronald Reagan.

He told Texas supporters that although the American economy had become "the strongest in history...Our triumph is real - but it is incomplete."

His greatest political strength is also his biggest liability - being so close to the President has prevented him from carving out a political profile distinct from Mr Reagan.

He declared: "I mean to stand for a new harmony, a greater tolerance and a renewed recognition that this country is and always has been a partnership.

"I do not hate government. I am proud of my long experience in government."

Saudi plan to buy stake in European oil industry

By Richard Johns in London

SAUDI ARABIA is talking with three US oil majors - Exxon, Texaco and Mobil - with tentative offers to buy a minority stake of up to 49 per cent in their oil refining and marketing operations in West Europe, according to well informed industry executives and analysts

The question was formally raised early in August by Mr Hisham Nazer, Saudi Oil Minister, at a meeting in Los Angeles of the executive board of the Arabian American Oil Company on which the three companies and Socal are represented.

Saudi Arabia's ruling hierarcy and senior officials involved in the oil industry are known to have come round to the view that the Kingdom needs to buy secure outlets for its crude oil and refined products as Kuwait and Venezuela have done, to give it secure markets at a time of slack demand and fierce competition for market share amongsts members of Opec.

King Fahd, however, is believed to be still hesitant about Saudi Arabia going "downstream" and possibly to have held up a possible deal with Exxon.

Following the companies' exchanges with Mr Nazer relations also became strained because of the American companies low level of oil liftings from the Kingdom which fell in August as it increased its purchases of Iraqi crude, which has not subscribed to Opec's pact on output and prices, at more attractive rates.

Exxon has subsequently raised its orders for Saudi oil and thought to have taken about 300,000 barrels a day in the first week of October.

The four American majors, which are partners with Aramco and have a critical in servicing its operations through a joint service company, lifted about 1.4m b/d out of a total of 4.5m b/d of which 800,000 b/d would have been accounted for by domestic consumption.

Whatever indecisiveness of King Fahd's part, possession of an assured distribution network has clear attractions to the leaders of Saudi Arabia's oil industry because the world's leading exporter has consistently found its market share has suffered, when it stuck to fixed prices at the expense of other Opec members when demand has contracted.

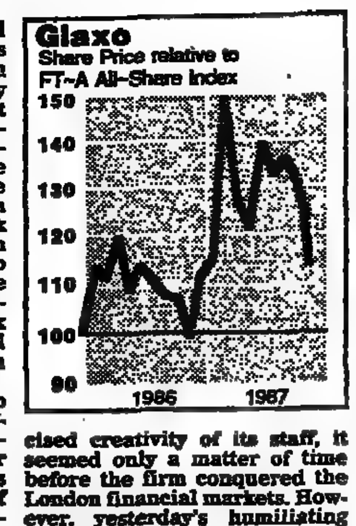
A recent change of view about the purchase of refineries and distribution outlets has taken place within the context of plans for a reconstruction of the Kingdom's oil industry.

The plan is that Petromin, the state oil corporation, would be given an enhanced status as a holding company somewhat similar to the Kuwait Petroleum Corporation with responsibility for overseas marketing.

THE LEX COLUMN

Glaxo gives the market ulcers

After a year of sweetness and light, Glaxo's communications with the City were suddenly in ruins yesterday. The company could claim with justice that it had not strictly made any forecasts, and that inflated expectations of full year profits were the market's own affair. But the one-day fall of 10 per cent in London's fourth biggest stock will have caused mayhem among the market-makers, to say nothing of the egos of the analysts; and a typical Glaxo-style video link with New York analysts meant only that Wall Street was able to panic with equal promptness.



In one sense, it is not easy to see what the fuss is about. Trading profits were, after all, a respectable 33 per cent ahead for the year. The pre-tax figure was less flattering, given the lack of realised gains on the bond portfolio and heavy weighting in US Treasuries, but Glaxo has always been candid about its largely passive and risk-averse attitude to its cash mountain.

The real trouble seems to be a feeling that the patch of slow growth due between the tailing-off of Zantac and the introduction of the new wonder drugs - supposed to arrive a couple of years from now - is here already. Put another way, the market's attitude has reversed since it last took a dislike to Glaxo's shares, just a year ago. Then, Zantac's growth was taken on trust, and there was no evidence of new drugs to take its place. Now, the market seems to take the new drug pipeline for granted, but has lost faith in the shorter-term performance.

This is probably unfair, in that it makes too little allowance for the very high development costs Glaxo is having to charge against profits to keep momentum going into the 1990s. But the market is already reflecting that Zantac's patent in the US - its biggest market - runs out in 1995, and that the new drugs for migraine and anxiety will have to build up sales promptly if they are to make good the difference. At 1529p, the shares are meanwhile on a similar rating to Beecham - perhaps undeserved, but the market may take a while to recover its nerve.

Salomon

A year and a half ago Salomon was the most powerful house on Wall Street, and London bankers watched in awe as it quadrupled the size of its London operations. Given the size of its capital base and the well-publicised creativity of its staff, it seemed only a matter of time before the firm conquered the London financial markets. However, yesterday's humiliating announcement of major cutbacks at Salomon only served to underline the speed with which even the biggest players in the global financial markets can come unstuck.

In the first quarter of 1986 the firm earned almost $200m and its shares hovered around the $60 mark. Since then its profits have fallen dramatically, despite one of the biggest bull markets in the history of Wall Street, and it indicated yesterday that it had done little more than break even in the latest quarter. Were it not for the bid speculation which has arisen in recent weeks, Salomon's shares would probably be trading below $30 at the moment.

Salomon's problems are easy to spot. Amongst the major securities firms it has been one of the most aggressive in adding staff to match its global ambitions - last year alone its numbers grew by 40 per cent. It needed to earn some handsome profits to cover expenses running at close to $2bn a year and it has been clear for some months that it was not earning anywhere near enough to service its increasingly heavy superstructure in New York, Tokyo and London.

It is now pulling out of such basic businesses as commercial paper and municipal bonds, which will only serve to reinforce European prejudices that Wall Street firms are fair-weather friends. It also looks rather late in the game to be talking of getting more heavily involved in merchant banking.

German markets

The continuing turbulence in the German markets, triggered by the imposition of withholding tax, underlines just how costly it can be to neglect the role of uncertainty in financial markets. The readjustment in the bond market to take account of the tax should not have much further to go, particularly given the new attractiveness of yields to some foreigners. However, the damage to the equity market is less containable while the extent of capital flight and the implications for the cost of capital remain uncertain.

The financial logic from the Government's point of view looks increasingly canny, with some analysts calculating the extra tax revenue at over DM10bn against longer-term increases in Government funding costs of DM3bn to DM4bn. The presentational politics have, however, been badly mishandled in full view of the international capital markets, which may carry some future cost. Even for the domestic audience the chance to paint a picture of a rational re-balancing of the tax system, with a touch of soaking the dishonest rich, is probably lost. The popularity of shifting the tax burden from earned income to investment income may, in any case, have been exaggerated given the high proportion of German household savings now in high yielding assets. And while forcing some Germans off-shore may have been a necessary side-effect of the new tax, the jab at the already weakened capital markets through imposing it on foreigners too seems quite gratuitous.

Boddington

It is ironic that Midsummer Leisure, the company which grew from the shell of the real ale group Camra, should take a shot at a brewer like Boddington, once blessed by the Camra aficionados. Boddington may not have had a good year, and there might also be something in Midsummer's questions about its marketing and retail skills, but this will be no walk-over, particularly as the proposed exit multiple of about 27 is low by recent brewing standards. It is true that, conversely, the price per pub is relatively high; however Midsummer has no experience in brewing itself and is proposing to offer only paper–and an awful lot of it. The market is taking it seriously enough to knock only five per cent off the Midsummer share price, but much will depend on how porous the Whitbread "umbrella" has become.

Praise for UK profit-link companies

BY PHILIP BASSETT, LABOUR EDITOR, IN LONDON

COMPANIES in the UK with profit-sharing schemes perform significantly financially better than those without them, according to the first extensive study of the business impact of profit-sharing.

The study, to be published later this month, explicitly rejects the Government's proposals for profit-related pay - a part of employees' pay being linked directly to profits - in favour of traditional profit-sharing, where payments related to profits are made as additions to normal pay.

The study's authors, Mr Wallace Bell, secretary-general of the International Association for Financial Participation, and Dr Charles Hanson of Newcastle University, estimate that there are now some 700 companies in the UK operating profit-sharing schemes, covering more than 2m employees - a sixfold increase over the past 20 years or so.

The study used more than 29,000 separate pieces of information to measure the financial performance from 1978 to 1985 of 113 representative companies with profit-sharing schemes against 301 similar but non profit-sharing companies. Its findings include:

- On a range of measures of financial performance - including return on capital, earnings per share and growth in profit and sales - profit-share companies consistently outperformed those without schemes, by an average of 27 per cent.
- Although both groups of companies were severely affected by the recession of the early 1980s, its effects on non profit-share companies were greater than on companies with schemes.
- The authors suggest that an investor putting money into profit-sharing companies would have been almost 80 per cent better off than if it had been invested in non-scheme companies. Under one example given, £10,000 invested among non-profit sharers would have become £36,600, while the same amount among the profit-share companies would have become £67,410.

The study does not necessarily claim that having a profit-sharing scheme makes the difference in terms of company performance, but points to several factors in the way in which profit-sharing companies are run generally, including management accountability, generating commitment

However, Mr John Cassells, director-general of the National Economic Development Office, said yesterday that the increase in profit-sharing had to be one of the elements contributing towards Britain's current economic growth.

US set for punitive action against Brazil

BY IVO DAWNAY IN RIO DE JANEIRO

THE US Government is set today to announce punitive tariffs against key Brazilian exports in retaliation for Brasilia's recent refusal to give an import licence for computer software.

A decision to press ahead with retaliatory action was taken unanimously last week by the interministerial Trade Policy Review Group and is set to be endorsed today by the Cabinet-level Economic Policy Council, chaired by Mr James Baker, the Treasury Secretary.

The seriousness of the move reflects mounting fury in Washington at Brazil's authorisation last month of a ban on MS-Dos microcomputer software of the US company, Microsoft.

US trade officials had believed that a full year of talks with Brasilia, concluded successfully last June, had ensured that no such ban would be introduced without consultations or, alternatively, approval by the Brazilian Congress.

However, last month the country's Special Secretariat on Informatics (SEI) ignored these procedures and refused the licence on the grounds that there already existed a Brazilian national equivalent of the software.

It is understood that confidential high-level talks, involving President Jose Sarney himself, in the last few days have failed to bring about a withdrawal of the ban.

Concern over the impact of a trade war with Brazil on delicate negotiations on the country's $113bn foreign debt is said to have inhibited calls for tougher actions against its market protection policies in the past.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	17	63	Dubrovnik	F	19	66	Malta	F	25	77	Rhodes	S	25	77
Algiers	F	22	72	Edinburgh	R	7	45	Manchester	F	12	54	Rio de J'o	C	29	84
Amsterdam	C	10	50	Faro	S	21	70	Manila	S	31	88	Rome	C	21	70
Athens	S	24	75	Florence	R	16	61	Melbourne	F	13	55	Salzburg	C	13	55
Bahrain	S	30	86	Frankfurt	R	7	45	Mexico City	S	22	72	San Francisco	R	19	66
Bangkok	C	33	91	Funchal	C	22	72	Miami	C	28	82	Seoul	S	23	73
Barcelona	S	22	72	Geneva	F	10	50	Milan	R	14	57	Singapore	TH	28	82
Beirut	C	28	82	Gibraltar	S	22	72	Montreal	C	19	66	Stockholm	C	12	54
Belfast	S	10	50	Glasgow	R	8	46	Moscow	S	13	55	Strasbourg	R	7	45
Belgrade	S	21	70	Guernsey	S	13	55	Munich	C	10	50	Sydney	F	13	55
Berlin	C	19	66	Helsinki	S	14	57	Nairobi	F	30	86	Taipei	S	30	86
Biarritz	C	16	61	H. Kong	F	29	84	Naples	F	22	72	Tangier	F	21	70
Bombay	S	34	93	Innsbruck	R	14	57	Nassau	S	30	86	Tel Aviv	S	27	81
Bordeaux	F	17	63	Inverness	F	9	48	New Delhi	S	34	93	Tenerife	C	25	77
Brussels	C	12	54	Islamabad	F	32	90	New York	S	20	68	Tokyo	S	23	73
Budapest	S	18	64	Istanbul	F	18	64	Nice	C	19	66	Toronto	S	9	48
B. Aires	S	27	80	Jakarta	S	34	93	Nicosia	C	27	81	Tunis	F	24	75
Cairo	F	28	82	Jersey	F	15	59	Oporto	F	18	64	Valencia	S	23	73
Cape Town	S	17	63	Jo'burg	F	25	77	Oslo	C	9	48	Venice	C	20	68
Caracas	S	24	75	Lima	R	21	70	Paris	C	13	55	Vienna	C	16	61
Casablanca	S	23	73	Lisbon	F	19	66	Peking	S	19	66	Warsaw	S	16	61
Chicago	S	28	82	London	F	14	57	Prague	C	16	61	Washington	-	-	-
Cologne	R	7	45	Los Angeles	C	26	79	Reykjavik	C	2	36	Zurich	D	6	43
Copenhagen	R	14	57	Luxembourg	C	7	45								
Corfu	TH	19	66	Madrid	S	15	59								
Dallas	-	-	-	Majorca	S	22	72								
Dublin	S	12	54	Malaga	S	23	73								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

India to get drought aid

Continued from Page 1

problems for some years and in the financial year to last April the trade deficit was Rs75.12bn (about $6bn), marginally less than 1985-86 levels.

The main immediate problems, necessitating sharply-increased imports, are a shortage of food oils and milk powder, together with increased demand for diesel oil needed for water pumping.

Grain production in the monsoon crop totalled 72m tonnes which is 10m tonnes down on last year's figure, but this shortfall is being covered from stocks, which now total about 28m tonnes.

Because of national pride in its self-sufficiency in food grains, and its cautious financial management, India has refrained from declaring a national crisis and appealing for help.

But it is letting aid-doning countries know that practical help, plus funds to offset its balance-of-payments problems, are welcome. About half the total of $1bn will be completely new money, and the rest would not have been paid before the end of next year, or much later.

Death mask haunts a nation

Continued from Page 1

schel is, therefore, not so much in the grimy detail of the allegations themselves. It is more that they rock a system of trust in their politicians which most of the electorate have not dared to doubt.

One nationwide result of disillusionment may be to strengthen the trend for a decline in the traditionally high turnouts for federal and state elections.

The allegations that Mr Barschel was behind a "smear campaign" against Mr Bjoern Engholm, the Schleswig Holstein Social Democrat leader, were originally made Mr Reiner Pfeiffer who was hired as a campaign worker (at taxpayers' expense) in the Kiel state chancellery.

Although Mr Barschel denied wrongdoing until the end, the allegations have since been backed up by other circumstantial evidence.

Also the decision by Mr Barschel's CDU colleagues in Schleswig Holstein last Friday to ask their erstwhile Prime Minister to give up his seat as deputy hardened suspicions against him.

After his burial questions will start again. Was he "dropped" by his party? Will Mr Kohl need to find a new finance minister if Mr Stoltenberg, still the CDU party chairman in Kiel, is forced to return to the state premiership to restore battered confidence?

Other questions will also be asked about the style of Der Spiegel's reporting. The magazine's cover story yesterday will go down, not as one of the most illuminating examples of West German investigative journalism, but as one of the saddest.

SECTION IV

FINANCIAL TIMES SURVEY

The country has been shocked out of economic complacency by the collapse of oil prices. Plans are going ahead to make Venezuela more self-sufficient, using more effectively its huge resources. **Robert Graham,** Latin America editor reports.

Caracas: heart of a country with immense natural resources

CONTENTS

Careful eye on progress

THE COLLAPSE OF oil prices in 1986 was a brutal shock to Venezuela, but in many ways it has been a blessing in disguise. The country has been shaken from a deeply-ingrained complacency, the result of living effortlessly for decades off oil income.

Sharply-reduced oil revenues have also demonstrated that Venezuela can no longer stay so aloof in the five-year-old debt crisis. Venezuela has been the only Latin American debtor to continue paying full principal and interest, and to reduce its public sector debt in real terms, down from a high of $29bn to $25bn. But reserves have been sharply eroded in dollars.

Venezuela has received remarkably little credit for having met its obligations. In part this has been due to some inept dealing by the Lusinchi administration with the international banks, and a certain arrogance of wealth. More fundamentally it arises from Venezuela's inability to project itself abroad.

Initially, Venezuela was cushioned from the debt crisis by oil that provided two thirds of government revenues. But when oil income fell by 40 per cent this exposed the economy's vulnerability.

Awareness of this vulnerability has stimulated a healthy debate in which Venezuela's traditional oil-dominated development model has been questioned, leading to a new emphasis on exploiting the country's wealth of other resources, and encouraging greater foreign investment and a degree of liberalisation.

This enforced awakening to the country's potential coincides with demands, albeit modest, for change in the political system. Democracy has been solidly established for more than 30 years but the political system has come to revolve round the highly-organised bureaucracies of the two main parties, Accion Democratica (AD) and the Partido Social-Cristiano (Copei).

These two parties have alternated in power with little real ideological difference, simply administrators of oil revenues, more interested in pork-barrel patronage than popular participation.

A groundswell of opinion in favour of opening up the political system has had an impact in the elaborate preparations for next year's presidential race. One of the principal opposition Copei candidates, Mr Eduardo Fernandez, has made the call for change the main plank in his Christian Democrat platform.

"For 30 years public spending has been the only model of development. Well, this has come to an end. We cannot allow ourselves to be vulnerable to oil prices; we must change, diversify, liberalise, create more competition," he says. Mr Fernandez refers to President Jaime Lusinchi and the ruling AD as "the last president of the old democracy."

So long as oil covered basic needs, permitted the tallest skyscrapers, the best roads, the biggest cars and the most elegant mass transit system in Latin America (the Caracas Metro) and left enough over to enrich the politicians and the business elite without public complaint, the system went unchallenged and development of other resources was largely ignored.

"The country has been asphyxiated by oil wealth," says Dr Moises Naim, one of Venezuela's leading academic figures. Oil wealth stifled initiative, created a bloated public sector and attracted over one fifth of the 18m population to live in and around the Caracas Valley, discouraging the growth of regional centres and the agricultural economy.

One of President Jaime Lusinchi's main achievements since taking office in 1984 has been to encourage agriculture both for export and to eliminate costly imports.

Venezuelan agriculture has shown that with the right incentives it can do just as well as that of Brazil or Colombia. However, despite an unemployment rate of 9 per cent, Venezuelans are not used to agricultural labour.

As much as 90 per cent of labour is supplied by Colombians. Overall there are some 400,000 to 500,000 foreigners working in Venezuela, many without documents and most from Colombia. The number has fallen since 1983 but such reliance on foreign labour, unique in Latin America, is another by-product of oil wealth.

The Government has also been far more active than its predecessors in pressing ahead with the development of energy-intensive industries. This has been spearheaded by the expansion of the aluminium industry but also includes steel and cement.

The major investments generally involve foreign partners and are export-oriented. However, the foreign companies find too many hurdles in their path.

One US businessman summed up the frustrations of many of his colleagues saying: "They could do so much more in this place if they could get their act together". Getting the act together involves cutting red tape, making much clearer signals on foreign investment, and improving the foreign exchange regime.

As the Lusinchi Administration approaches a presidential election next year more and more attention is being absorbed by politics, and political considerations will dominate economic policy. The Government seems determined to press ahead with an inflationary public spending programme to ensure labour is kept loyal to the ruling party and prevent recession in an election year.

A large budget deficit, coupled with an ill-judged maxi-devaluation last December have produced 30 per cent inflation. Inflation on this scale is an unknown phenomenon nor are Venezuelans used to a devaluing currency. The free market rate of the bolivar against the dollar has slipped beyond 30, and Caracas, once the most expensive capital in Latin America for foreigners, is now one of the cheaper ones.

Mr Manuel Azpura, the Finance Minister, insists that the situation is under control. However, the bill for this expansionary economic programme is being paid not through raising taxes but by printing money and spending reserves, which have dropped over $4bn to $9bn in 18 months.

Though the reserves are still high by Latin American standards, several economists such as Dr Pedro Palma of MetroEconomica argue:"The slippage in reserves is dangerous because Venzuela needs a large reserve buffer against oil price movements..

He further maintains that Venezuela should seek fresh money now while reserves are still high and the country is in a strong bargaining position. Venezuela is reckoned to need $2bn for 1987-88 in fresh money but it must overcome the banks' reluctance to lend money to fund budget deficits.

Of course there is always oil. If market conditions improve and if its Opec quota is raised, Venezuela can easily increase production from 1.7m b/d to 2.5m b/d.

Last year proven reserves were doubled to an historic high of 55.5bn barrels. This is still a conservative estimate and makes Venezuela the world's fourth-largest owner of crude. This is tremendous security and helps to explain why the politicians, at a time when the rest of Latin America is absorbed by the debt crisis, can afford the luxury of a good 18 months' politicking in the run up to the next presidency.

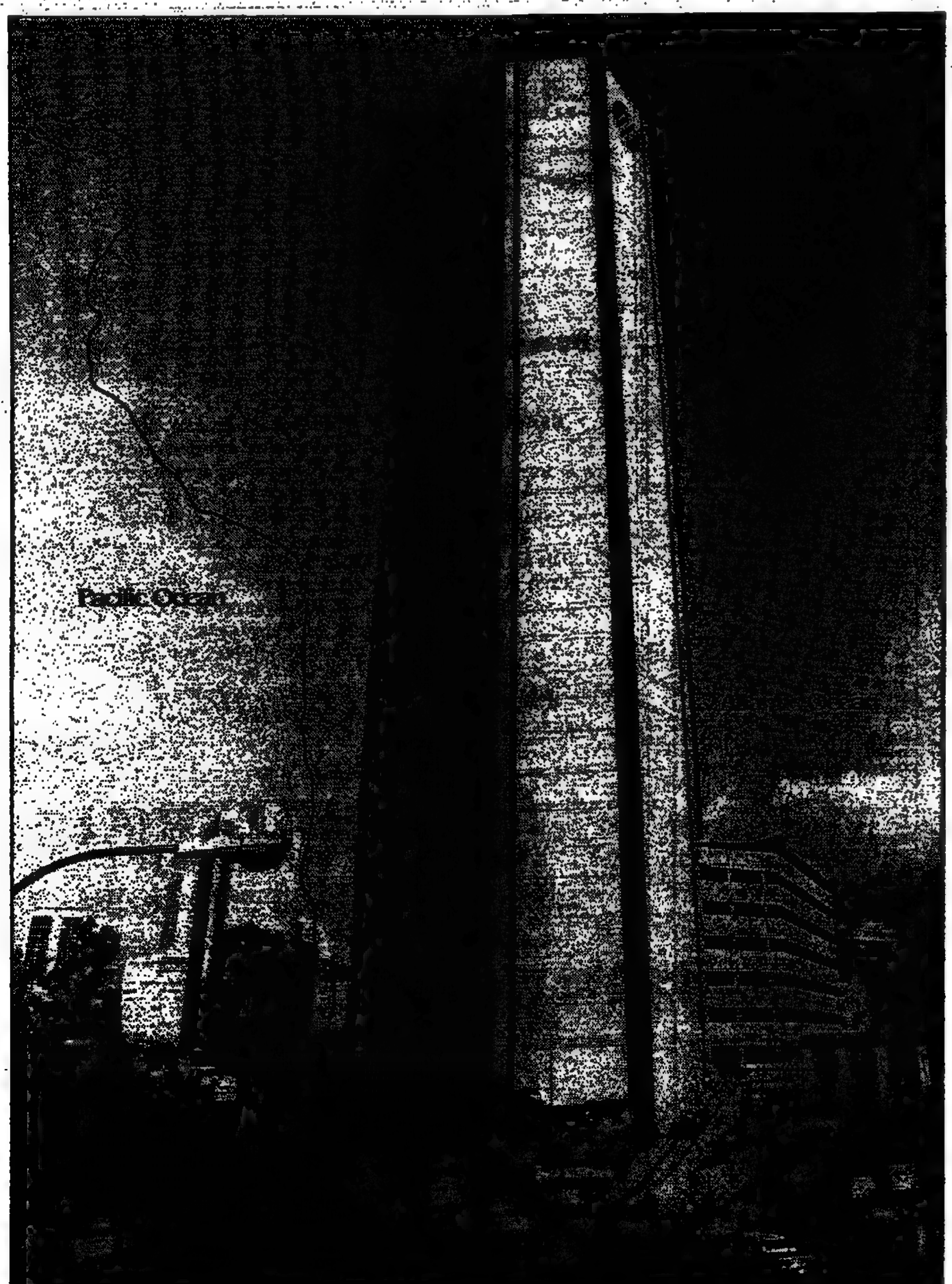
Both AD and Copei are profoundly divided over whom to promote for the presidency. President Lusinchi has been doing his best to prevent former President Carlos Andres Perez from standing as the AD candidate while Copei has been unable to agree on whether to go for a generational change and back Eduardo Fernandez. Splits could emerge in both parties so opening up the political spectrum.

President Lusinchi has been a popular leader,less ostentatious than his predecessors. During the austerity of his first two years in office, he was successful in ensuring a climate of social stability.

With inflation running high he still has the backing of organised labour but this is because he has pandered to their demands. His critics fear that next year if inflation is not controlled he may be forced to choose between austerity and populism - and will opt for the latter.

With economics and politics inceasingly inter-twined in an election year, the one foreign issue which continues to intrude is Venezuelan-Colombian relations. The western maritime division between the two countries at the entrance to Lake Maracaibo has never been properly settled. On August 9 there was a serious incident involving a Colombian warship in these disputed waters that led to a full-scale military alert on both sides.

For the moment diplomacy has prevailed but the matter requires a quick agreement. If not, there is a whole series of other irritants in mutual relations such as contraband, drug-trafficking and the presence of Colombian Leftist guerillas along the frontier, which could be aggravated.



The oil price collapse has had a profound effect on the economy of this vast resource-rich country, as **Robert Graham** reports

High inflation dampens forecasts

THE VENEZUELAN economy has long been envied in Latin America for its wealth and sheer manageability. Blessed with substantial oil revenues, it is a vast resource-rich country with a relatively small population of 18m. Traditionally there has been enough fat in the system to cover any number of policy errors.

Oil income cushioned Venezuela from the initial impact of the debt crisis. The idea that Venezuela might not service its debt was almost unthinkable even though it was paying $5bn, or 40 per cent of oil earnings. Between the Central Bank, the Venezuelan Investment Fund and the oil company, PVDSA, reserves totalled $17bn in 1985, three years into the debt crisis.

However, the collapse in oil prices last year cut oil income by 44 per cent to $7.2bn. Since oil accounts for 85 per cent of exports, two thirds of government revenue and 20 per cent of GDP, the effect has been dramatic.

The impact has been even greater because the shortfall in revenue came at time when the Lusinchi administration had chosen to break with its conservative austerity policy, the hallmark of the first two years in office. With revenue squeezed on the one hand and government spending accelerated on the other, a number of previously unfamiliar phenomena have surfaced.

Reserves have fallen sharply, the budget deficit has risen to 10 per cent of GDP, the current account has slipped into deficit and the country is experiencing the highest rate of inflation in many years following the sharp devaluation last December in the official bolivar-dollar rate from 7.5 to 14.5.

Inflation is now widely believed to be running at over 35 per cent on a yearly basis and could be higher at year end.

For the first time in many businessmen's memories plans are based on inflationary expectations. There have even been some shortages due to hoarding and price uncertainty. The free market bolivar, which has moved as high as 36 to the dollar, reflects concern over the drift of things. Dollarisation is creeping into the economy.

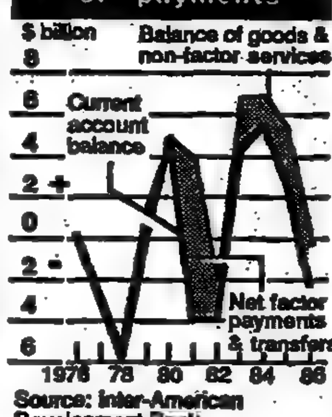
"We are beginning to look like a normal Latin American economy with unstable growth, high unemployment and balance of payments deficits," says Dr Moises Naim, of the business administration institute, IESA. "For Venezuelans high inflation is traumatic because it has never been the norm."

Intra-regional trade – 1985-6 ($000s)

Importing Countries		Andean Group	Exporting Countries: Bolivia	Colombia	Ecuador	Peru	Venezuela
Bolivia	1985	9,282		899	64	8,135	264
	1986	5,300		1,500	130	3,300	370
Colombia	1985	330,659	3,572		62,829	70,332	193,836
	1986	220,300	4,200		44,000	51,100	121,000
Ecuador	1985	128,178	122	63,905		62,003	2,147
	1986	101,090	90	67,900		23,600	9,500
Peru	1985	67,495	12,716	32,743	6,000		16,036
	1986	158,040	14,400	91,040	8,900		43,700
Venezuela	1985	184,789	10	142,783	2,000	39,996	
	1986	243,410	10	182,600	1,800	59,000	
Andean Group	1985	720,423	16,720	240,271	70,883	190,266	212,283
	1986	728,140	18,700	343,040	54,830	137,000	174,570

Source: IMF.

Balance of payments



Source: Inter-American Development Bank

Value of exports

Source: Inter-American Development Bank

The Government insists it has the situation under control. Monetary policy has been tightened and money supply in the past six weeks has been checked. Mr Manuel Azpura, the Finance Minister, says that the recent surge in consumer prices was due to adjustments in the wake of last December's maxi-devaluation.

He envisages prices levelling off, with inflation for the year under 30 per cent. "Next year it should come down to around 15 per cent," he says confidently. The Government, about to go into a year of presidential elections, has every incentive to improve its track record. But equally, it is hard to see President Lusinchi presiding over a return to austerity.

The Lusinchi Administration is given credit up to 1986 for addressing the problems created by the Latin American debt crisis. He imposed unprecedented austerity and encouraged long-ignored import substitution in such sectors as agricultural goods and light manufacturing. Non-oil exports increased from $1.1bn to $1.4bn in two years.

The Government also had broad support from business and labour for its decision in late 1985 to break out of recession and stagnation through raising the level of public expenditure.

Most plant was between 45 and 55 per cent idle due to over-investment in the late 1970s. The economic planners hoped that the public sector would lead the country out of recession and this would stimulate the private sector, where two thirds of employment lay.

The flaw in this projection was the collapse of the oil price, compounded by the authorities' slow reaction. They were also indecisive in dealing with Venezuela's creditors, who were given confusing signals and a number of false starts, especially where the private sector debt of $7bn was concerned. Thus the banks were alienated at precisely the moment when their comprehension was needed.

A 21-point programme was unveiled in July 1986 with much fanfare which tightened import controls, curbed some spending and attempted to liberalise foreign investment. This programme might have worked better had not the Government decided in December on the need for a major currency alignment and new foreign currency restrictions.

The aim behind this seems to have been to carry out a major devaluation well in advance of the 1988 presidential elections to avoid further big adjustments. It was also an easy way of revenue raising through cashing in on profits from revalued dollars.

But with the economy growing at over 3 per cent and with many price adjustments pending, the effect was highly inflationary. The Government implicitly admitted this, conceding a temporary price freeze in May and topping up wages with a special bonus payment to keep labour happy.

Despite government assurances that the worst is over, many businessmen and economists are not so sanguine. The Government shows no real inclination to reign in its spending and has tightened its control over the Central Bank. Preliminary projections of the 1988 budget suggest the deficit will be between 8 and 10 per cent of GDP.

Oil revenue, with an average price just above this year's $16.5 per barrel, could reach $8.5bn next year. But with non-oil exports steady, if not declining, the balance of payments will show a current account deficit of $1bn. The capital account will depend on the nature of debt service but with Venezuela fulfilling all its obligation this year the deficit will be over $2bn.

"This is an oil-dependent economy and we need a substantial buffer of reserves to cope with the fluctuations in oil prices which we cannot control," says Dr Pedro Palma, a leading independent economist. Reserves, he says, are being depleted too fast.

The Central Bank has been obliged to call on funds from PVDSA to bolster reserves and to switch dollars from the Venezuelan Investment Fund. Cash reserves with the Central Bank are $3.6bn with gold on call totalling 11.46m troy ounces conservatively accounted at $300 the ounce.

The Government, which last month signed a $21bn rescheduling agreement with the international banks, has been criticised for not using the occasion to seek fresh funds. Venezuela, after all, is the sole Latin American debtor to have been repaying principal in cash and has reduced the public sector debt from $29bn to $25bn.

Mr Azpura is non-committal how much new money Venezuela needs but probably $2bn is needed, if reserves are not to be dangerously depleted: dangerous, that is, for Venezuela. By Latin American standards it is still well protected.

The authorities also still retain considerable margin for manoeuvre. Fiscal pressure is light and for instance gasolene prices, one of the basic forms used elsewhere in the region for raising revenue, are luxuriously low.

The economy is also riddled with subsidies that an International Monetary Fund programme would insist on altering, and even without such external pressure these subsidies need reassessment because of the distortions.

The worst distortion is in the large-scale cross-border contraband with Colombia. Venezuelan subsidies on meat, poultry and dairy products are encouraging their sale to Colombia - with a huge capital flight - where they go for double the price.

Yet, in the end, all these issues pale against the backdrop of Venezuela's resources and its potential. It possesses the fourth-largest proven crude reserves in the world. Discoveries continue to be made and PVDSA now has a better balance of light and heavy crude.

The main strategy is to use the large reserves of heavy crude for cheap energy and develop gas for the same purpose. On this basis major investments are being made in energy-intensive industries, especially aluminium, where Venezuela has a price edge over Brazil, but also steel and cement.

At last attention is being focussed on other activities, in particular the potential in agri-business and mining. Here high hopes are being placed on putting Venezuela among the top five world gold producers. Realising the promise in agri-business is more problematical since this requires a much more sensitive understanding on the part of the government of private sector incentives.

While the oil price collapse has set in motion a reassessment of economic strategies and values which on the whole is positive, attitudes remain conservative. This means that despite all the Government's talk of liberalising the economy, very few practical steps have been made.

There is still a long way to go in creating a proper climate for foreign investment other than for partnerships in major resource ventures.

Politics

Sclerosis affects the parties

NEXT YEAR'S elections will mark the 30th anniversary of Venezuelan democracy, and the country's two main political parties are already preparing feverishly for the vote.

By Latin American standards, Venezuela's democratic system is remarkably stable. But fears are growing that this very stability masks a sclerosis weakening the country's ability to face the challenges of the future.

Since dictator Marcos Perez Jimenez was overthrown in 1958, two parties have made themselves twin pillars of the political system.

Accion Democratica (AD), a Social Democratic party affiliated to the Socialist International, has traditionally enjoyed the wider public support, and draws especial strength from the loyalty of Venezuela's trade union federation, the CTV.

Rivalling AD is the Christian Democratic Independent Political Electoral Organising Committee (Copei), still led by party founder, Rafael Caldera.

A fringe of small leftist parties, including the Movement for Socialism (MAS) headed by former guerrilla Teodoro Petkoff, has never managed to win more than ten per cent of the vote.

AD and Copei, between them taking on the task of democratic indoctrination, as one prominent businessman here puts it, have built a monolithic structure of power that envelops every aspect of Venezuelan life.

Professional guilds, trade unions, the universities, social clubs, all are politicised, with their leaders' party affiliations known and taken into account.

"When anyone is standing for anything," says Mr Gustavo Rosen, head of the Caracas Chamber of Commerce, "the first question people ask is 'What party does he belong to?'"

The paradox of this high degree of politicisation is that AD and Copei do not, as parties, stand for very different outlooks. The direction of Venezuelan politics depends less on which party is in power than on who becomes President, and on whom he chooses as his closest advisers.

Thus no one is betting just what path the next president will choose, and little importance is attached to the candidates' explanations of their programmes.

Both AD and Copei have been torn this year by especially bitter campaigns by candidates for the presidential nominations.

Favoured to become the AD candidate at the party congress two days ago is Carlos Andres Perez, a forceful party veteran who served as President from 1974 to 1979, nationalising the oil industry, and who is associated in the public mind with Venezuela's boom years.

He has been challenged by Octavio Lepage, a less well known and less colourful figure, who nonetheless enjoys the support of President Jaime Lusinchi.

The battle for Copei's presidential nomination has pitted party founder Rafael Caldera, Venezuelan president from 1969 to 1974, against Eduardo Fernandez, from the younger generation of Copei leaders, advocating widespread privatisation of the economy.

Though Fernandez appears to have the support of Copei's party apparatus, it is by no means sure that the party congress in November will be prepared to commit parricide, by choosing him over the grand old man, Caldera.

Whoever wins the party primaries, and whoever becomes President, however, "there is a feeling that the democratic system as it is now operated will not be capable of dealing with the problems the country will face in the next few years", says one Western diplomat.

The monopoly of power that the two parties have amassed and the top heavy manner in which they make decisions mean that "a worrying gap has developed between the citizen and democratic institutions. People don't feel represented by their senators, or their municipal councilmen," Copei's Mr Fernandez argues.

A blue riband commission named by President Lusinchi to study this problem, the Commission on State Reform, has proposed a number of measures to open up Venezuela's political system, and to make political leaders more responsive to their constituents. But there is little sign that either major party, whose power would be threatened by such reforms, is ready to take them seriously.

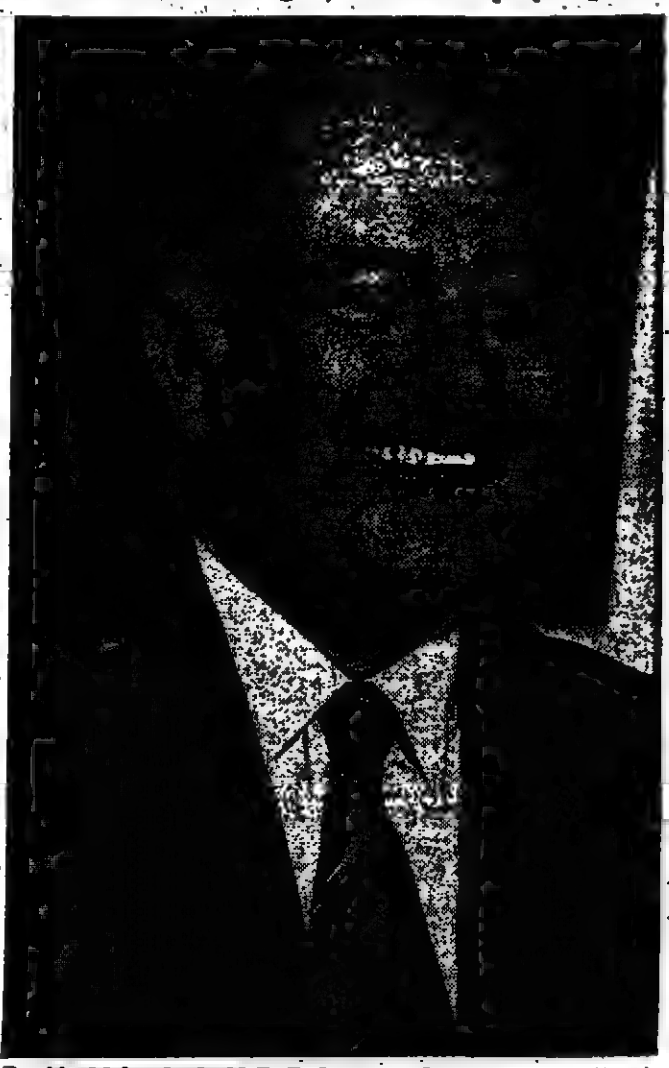
The pressure for change is still limited. In a country where two parties have a virtual monopoly on political organisation, it is hard for outside forces to make their presence felt.

But the recent growth of community associations, especially in the capital, Caracas, may hint at future developments.

These groups, concentrating on issues of immediate concern to their neighbourhoods, have emerged from "an anti-party movement, and they are building a capacity for organisation", says Dr Moises Naim, president of Venezuela's leading business school.

"Their success has been modest, but they have shown that Venezuelans are readier now to defend their rights, not simply to resign themselves to decisions that come from above", adds a leading businessman.

For the foreseeable future, AD and Copei seem secure on the solid political foundations they have laid. But whichever party leads Venezuela into the 1990s will have to find new ways of making democracy work.



President Jaime Lusinchi: limited pressure for change

Peter Ford

Caracas: the nation's debt ratios while high look favourable

Debt repayment

Difficult road ahead

THE SIZE OF its debt, both in absolute terms and relative to the country's economic capacity and its exports, show that Venezuela is in better shape than most of its Latin America neighbours.

Yet many bankers will admit to concern about recent developments that, in their eyes, have taken the country off track. A return to the international capital markets, with banks acting as voluntary lenders, still remains an objective, but threatens to recede further into the future, they say.

The country's $33bn of foreign debt is the fourth largest in Latin America, but its debt ratios, while high, look fairly favourable when compared with the rest of the continent.

The ratio of interest payments to exports was just over 30 per cent, half of that for Argentina. Its total debt-to-exports ratio is about 320 per cent, compared with close to 500 per cent for Brazil and Chile. The ratio of foreign debt to gross domestic product (GDP) is about 43 per cent, one-third of that of Chile.

There have been other positive signs, too. Despite the collapse last year in the price of oil, its major export, Venezuela still managed to run a trade surplus.

"Even after the disaster in the oil market last year, Venezuela's basic debt indicators are better than in most of the rest of Latin America," says Mr Paul Luke, economist at Libra Bank in London. "If Venezuela can get $18 to $19 a barrel for its oil, then the level of its debt is manageable, particularly since its foreign exchange reserves are relatively high. This offers prospects for a return to the voluntary market."

But foreign bankers remain worried. As one of them puts it: "Over the last 18 months we have seen a drastic move from a fairly cautious set of policies, which were in place when the debt crisis struck, to a much more expansive economic policy."

One result has been much higher inflation: around 26 per cent in the year to August, more than double the rate last year. Interest rates are deeply negative in real terms, while the public sector deficit, by the Government's own conservative reckoning, reached 7 per cent of GDP last year. Using the International Monetary Fund's stricter interpretation, the deficit could hit 9 or 10 per cent of GDP this year.

Added to this, the free market value of the bolivar has dropped sharply to about 35 to the dollar, opening up a large discrepancy with the official rate of 14.5 to the dollar. This divergence is often regarded in Latin America as a measure of the degree of private sector confidence in policies.

The country has a reputation among bankers for being difficult in negotiations. This, they say, is illustrated by the way the latest rescheduling of bank debt has been handled by the Government.

An original agreement was signed in February 1986, calling for a 12½-year rescheduling of some $21bn in maturities at a margin over interbank rates of 1⅛ per cent. It also would have meant the repayment of $750m of principal in 1986 and $1bn in 1987. Late last year, the Government backed down from the agreement, citing the collapse in oil prices.

By March this year, a new deal had been put in place, extending maturities for 14 years, and with a lower interest rate margin of ⅞ per cent. The 1987 principal repayment was to be reduced to $250m.

Then, in August, the Government again startled banks by refusing to sign the plan, after opponents of the scheme, both inside and outside the Government, had persuaded President Jaime Lusinchi to change his mind. The decision was reversed one month later, however, and the country and its 13-bank advisory committee began signing the revised accord in September.

At the same time, US banks have offered to step up short-term trade credit lines by $750m to $3.75bn, and have also offered to provide some support for an international bond issue of some $100m to $200m, a concept Morgan Guaranty of New York is said to be working on.

The key to understanding current Venezuelan government attitudes seems to be the 1988 presidential elections, and opposition criticism that the Government was too soft in the debt talks. Why, the critics ask, should Venezuela be paying a higher interest rate than Mexico and repaying principal?

This suggests a difficult road ahead internally for the Government. Oddly, some bankers see possible help in the decline of the free market value of the bolivar, which has pushed the country's per capita net income below $3,000.

This means that the country can now borrow from the World Bank; and bankers would like to see such a move occur, if only for the discipline that it might place on public spending.

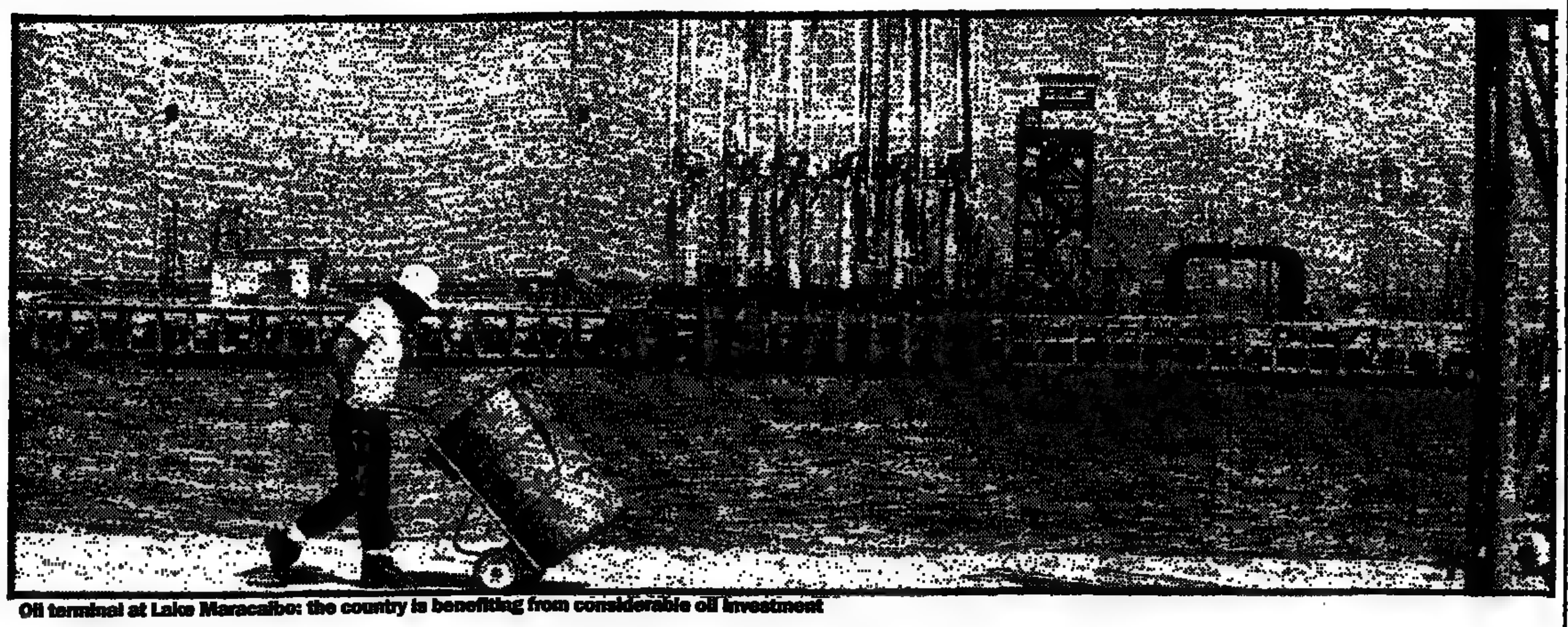
Stephen Fidler

Service Payments on the External Public Debt—1980-85

($m)

	1980	1981	1982	1983	1984	1985
Argentina	1,987.1	2,152.5	2,294.9	2,291.5	2,878.5	4,323.8
Brazil	8,039.2	9,070.8	10,098.9	6,792.7	8,036.5	7,776.2
Mexico	7,858.0	8,486.3	9,400.0	10,977.5	11,090.7	10,976.7
Venezuela	2,964.2	2,586.4	3,220.7	2,655.8	2,537.0	2,180.3

—Less than $500,000
Source: IDB, member countries and IBRD.



Oil terminal at Lake Maracaibo: the country is benefiting from considerable oil investment

Foreign investment

Red tape challenge for government

IN A RECENT poll of executives of US multi-national companies commissioned by the Venezuelan government, a majority of respondents said they believed Venezuela had the most stable government and stable economy in Latin America.

More than half of those polled also said they would recommend that their own companies invest in Venezuela today (if they did not already have an operation there), and that other companies should also invest in the country.

However, the executives also complained about excessive red tape and long delays when doing business in Venezuela, as well as inefficient bureaucratic practices, a lack of clear and consistent laws and regulations, difficulties in repatriating profits and problems with government entities.

Resolving these contradictory views represents a major challenge for the administration of President Jaime Lusinchi, especially at a time when the Government wishes to offset lower revenues from petroleum exports with new foreign capital to help create jobs and promote economic growth.

Venezuela indeed offers a range of positive elements for foreign investors, including a stable democratic system, cheap and abundant energy, large deposits of minerals, and good infrastructure and geographic location. The head of Venezuela's Superintendency of Foreign Investment (Siex), Juan Carlos Perez-Segnini, is a young and intelligent executive who is actively promoting new investment. He has also made a sincere effort to reduce the paperwork and bureaucratic tangles that have troubled foreign companies in the past.

In addition, the Lusinchi government last year carried out a major revision of its foreign investment rules, liberalising what was formely a highly-restrictive system, opening up new economic sectors to foreign capital, and offering incentives to exporters, agriculture, agro-industry, tourism, electronics, data processing biotechnology and construction of low-cost housing. Moreover, the country's undervalued currency allows foreign investors to obtain attractive assets at bargain prices, and the Government is encouraging foreign companies to participate in debt-equity swaps.

But neither these favourable conditions nor a government effort to attract new foreign investment has had the desired results. Foreign companies over the past two years have announced a number of important new investments, sometimes in partnership with the Venezuelan goverment and local partners.

Also, there has been a considerable amount of reinvestment by foreign companies already operating in Venezuela.

Both the government and investors recognise, however, that the volume of new foreign investment is far below the country's potential. Siex estimates that total foreign investment in Venezuela now stands at about \$2bn, but real increases in recent years have been modest.

Moreover, some projects are stalled due to investors' concern over the general economic policy and the current system of multiple exchange rates. Last December, the Lusinchi administration established a new set of foreign exchange rates thaT accompanied a partial devaluation of the Venezuelan currency, the bolivar.

Under this system, the Government supplies foreign exchange at the rate of 7.50 bolivars per US dollar for imports of a limited number of "priority" such as medicines and foodstuffs, and at Bs.14.50/dollar for most other commercial transactions, including imports of raw materials used by industry, repayments of registered private sector foreign debt and all activities related to foreign investment.

At the same time, there is a relatively small free exchange market, where the bolivar recently traded at between 30-35/dollar.

John R. Pate, an American lawyer and foreign investment consultant in Caracas, says that the climate for foreign investors in Venezuela today is "not very good," despite the advantages the country has to offer.

"It's not foreign investment legislation that's the problem, but rather general uncertainty over the Government's exchange rate policies, price policies, and so on.

"Aside from the red tape and bureaucracy, which affects all businessmen, not just foreign investors, the trend is negative in the overall political-economic context."

With national elections coming up in 1988, many investors are worried that a populist government in 1989 may make policy changes unfavourable to foreign companies. They also continue to complain about such things such as excessive red tape and delays in approving and carrying out new projects, problems in dealing with official agencies and abrupt shifts in government policy.

For example, one foreign company said that in order to develop a mining project, it had to deal with paperwork and problems at seven government ministries, the central bank, the foreign trade institute, the Superintendency of Foreign Investment, the foreign exchange control office, plus regional, state and municipal entities.

Other companies are worried that if they make an investment today at the official exchange rate of BS14.50/dollar, what rate will be in effect when they wish to repatriate their profits?

Would-be exporters, who were counting on access to the free market exchange rate for their overseas receipts, found that the Government last December decided unilaterally to apply the Bs.14.50/dollar rate, thus removing the incentive for many concerns.

Mr Pate, who has been studying Venezuela's foreign investment laws since the early 1970s, says that if the Government wants to create a more favourable climate for foreign investors, it should "completely reorganise economic policy, stressing outward-looking, free trade elements."

This recommendation has been echoed by many businessmen. Although the Lusinchi government has sincerely tried to promote new investment, a larger role for the private sector, and non-traditional exports, it has frequently established contradictory policies and turned to greater state intervention in an effort to avoid problems in the economy. Until these tendencies are changed, the flow of foreign investment into Venezuela will be hobbled.

Joseph Mann

Profile: Alfredo Boulton

A Renaissance man in modern world

AN EXHIBITION has just opened in Caracas' fine Museum of Contemporary Art paying tribute to Alfredo Boulton, a remarkable man from a remarkable family.

Don Alfredo has much of the all-round talent of a Rennaissance man - art collector and critic, essayist and poet, accomplished photographer, explorer and businessman.

The exhibition - whose opening was attended by a veritable Who's Who of Venezuela - traces his long multi-faceted involvement with Venezuelan culture using many of his own photographs, underlining his role in promoting the arts and patronising such figures as Soto and Cruz-Diez who have become international names. He also possesses the leading collection of memorabilia relating to Simon Bolivar, Venezuela's national hero and founding father.

Now aged 79, Don Alfredo is the patriarch of the Boulton family empire, La Casa Boulton. This is one of the oldest established trading houses in the country, founded by an Englishman, John Boulton. "He came from Lancashire around 1824 deciding to seek his fortune in South America," Mr Boulton says of his ancestor. "His business actiivites began here when he was only 21, according to records we still have."

John Boulton imported, on a brigantine from New York, a cargo of foodstuffs (cheese, wine, oil, meat, and flour) and sent back a shipment of coffee, rum and cocoa. From this initial activity developed a shipping line, banking (including dealing with Venezuelan debt in the late 19th century), and railways in addition to a broad-based import-export business.

The group also moved into insurance and in more modern times aviation, through Avensa.

John Boulton was a keen painter and knew Camille Pissarro. He also had a profound sense of history, thus ensuring that the Boultons have some of the most complete family archives on the continent. The group's commercial archive is preserved intact and now forms part of a museum, established by Don Alfredo in the 18-storey skyscraper that covers the old trading house in downtown Caracas which served as the Boulton headquarters for a hundred years.

The ancestor: John Boulton, founder of the house of Boulton

Don Alfredo is a great grandson of John Boulton, who eventually died in Philadelphia in 1875. "I joined as an office boy aged 17 and have been here ever since," he says with the energy of a man who still comes in every morning at 7.30 to his office (decorated with three Picassos and the kinetic works of Soto).

The group is now run by his brother Andres, aged 77. Three generations of Boultons are working in the group, the youngest aged 20. The group itself is still firmly in family hands and has no intention of going public, according to Don Alfredo. No accounts are published but it is believed that the group now ranks around fifth in assets among Venezuelan private holding companies.

Lately, it has not expanded as fast as some of the newer groups and is less entrepreneurial than it used to be. But it has been among the first to seek new export opportunities and has developed a successful fishing subsidiary.

"The group is very conscious of its traditions and at times has an almost Victorian sense of philanthropy towards the community. In his lifetime, Don Alfredo has seen Caracas transformed from a capital that was little more than the size of a country town to a vast metropolis with the tallest buildings in Latin America.

"The biggest change has been oil. It has changed our psychology because we have been given money we don't work for to produce," he says. Some of the old Puritan work ethic of his forebears remains.

Robert Graham

Private sector

Traditional role is challenged

VENEZUELA'S private sector faces an historic challenge as a result of the country's debt crisis and lower oil revenues, the traditional motor of the economy. At stake is the continuance of the private sector's traditional role in a protected economy.

With a relatively small domestic market, growth prospects are limited so long as businessmen rely upon the government and oil revenues to be the main stimulus.

Against this background, the more open-minded in the private sector are arguing that there must be a fundamental change both in attitudes and economic structures, moving towards a more liberal and competitive model. However, this means forgoing the comfortable protection - and profitability - afforded by the longstanding incestuous relationship with government and the state sector.

Essentially, successive governments have cossetted the private sector through a mix of external tariffs, subsidies on raw materials and cheap energy, price controls, tax breaks and by accepting *de facto* cartels. The government is often partner in ventures such as petrochemicals, a sector which in many Latin American countries is now being earmarked for privatisation.

This system served its purpose in developing an industrial and services base for the country. But the pre-conditions for encouraging investment were an expanding domestic market and the government's ability to pump large amounts of oil revenue into the economy. Since 1980 this has not been happening.

As a result, the private sector has been both confused and alarmed. Stuck with over-capacity and with too many dollar-denominated debts against a depreciating bolivar, Venezuelan businessmen have been in no mood to invest. On the contrary, while there have been notable exceptions, very substantial amounts of private capital have gone abroad.

Little has been repatriated despite efforts by the Lusinchi administration to operate a kind of "social contract" whereby the unions hold back on wage demands in return for a renewed commitment on investment by the private sector.

In public the business community will talk about the need for structural reforms, for greater competition and less state intervention. However, there is a widespread fear of such changes occurring, and this in turn encourages the government to leave things as they are.

The changing economic climate coincides with the beginnings of a generational change in some of the large financial and family groups which are such a feature of Venezuela's private sector. At the same time a new breed of entrepreneur/manager is emerging among the 35-40 year-olds.

The more open-minded argue that there must be a fundamental change towards more competition

The oldest of these groups trace their origins to the early 19th century in the wake of Venezuelan independence. Family groups like the Wollmers and Boultons evolved from adventurous European traders into financiers and developers at the very heart of modern Venezuela - developing such vital infrastructure facilities as railways and electricity.

Others had roots in Spanish colonial families whose landholdings, especially in the Caracas Valley, prospered and then were sold off as urban development. Other groups like Cisneros and Mendoza date from the boom in the wake of the First World War.

Together these groups form a powerful business elite that is connected by marriage and boardroom friendships. Nevertheless, the bulk of private sector companies are of recent origin.

According to Dr Naim Moses, the leading expert on the private sector who teaches at IESA, the Caracas business administration school, 80 per cent of all the country's companies have been created since 1958.

He believes that Venezuelan companies have some special characteristics. Because of the small domestic market, companies both large and small have been obliged to diversify rapidly. This has led to a series of mini-conglomerates as well as large holding companies.

Relatively few of these companies have begun with a natural vocation for exports. Instead the emphasis has been on import substitution.

So long as dollars were cheap to obtain, this model went unquestioned. But with the sharp fall in the value of the official and free rate bolivar over the past three years, exports have become more of a priority. Indeed, the surge in exports in 1986 demonstrated that Venezuelan businessmen could adapt very quickly.

The high cost of dollars also showed that companies, when forced to rely more on their own initiative, could so. The last three years has seen a host of products being manufactured locally, from spray cans to fashion clothes, that were previously imported as a matter of course.

Some young entrepreneurs see the opportunities and the need for change. Mr Andres Duarte, who runs a fast-expanding commodities and shipping business, admits that his shipping activities have grown up on the back of government protection afforded to national flag carriers. But he now can stand on his own feet without such protection. He has just bought his third bulk carrier.

However, the prevailing mood is more conservative. The majority of companies are still family-owned and run - there are under 50 quoted companies on the Caracas bourse. They are still secretive about their accounts and are afraid of the rough and tumble of competition.

Tourist village in Maracaibo. The country's huge tourism potential has yet to be explored.

Profile: Hans Neumann

A successful entrepreneur

Hans Neumann: fresh start

AMONG THE covey of leading Venezuelan businessmen who dominate the country's private sector, Hans Neumann is an odd bird.

His snowy hair and deeply-lined face give Neumann the air more of a pensive European professor than a highly-successful entrepreneur. And his appearance does indeed give a clue as to his origins.

A 66-year-old chemical engineer, Neumann was born in Prague. In 1948, when the Communists took power in Czechoslovakia, Neumann and his brother left home to make a fresh start in Venezuela.

"It was an obvious choice," Neumann says now. "Venezuela had resources, it was taking off, and it was willing to industrialise.

"And I had family in America who told me how much Venezuela was importing from the States."

The gamble paid off. Over the past 40 years, Neumann has parlayed the $100,000 loan he began with into a major industrial holding group, the Corporacion Industrial de Montana (Corimon), with sales last year of about $350m.

Hans and his brother Lotar, who has now retired, used their first loan to set themselves up in the paint business, with four employees. It was not long before they began to diversify.

Their company, Montana, was having trouble supplying customers on time, because the print shop that made labels for the cans of paint was proving unreliable, Neumann recalls. So Montana moved into printing.

The printing business grew, and expanded into packaging materials. The original paint company took a step down the line of vertical integration, and began producing the resins it needed. From there, the next step sideways was into a broader field of chemicals.

Employing nearly 4,000 people today, Corimon embraces 25 companies that produce paints, chemicals, inks and packaging materials, fresh and processed tropical fruits, and offer marketing and export services.

Having bought an 80 per cent share in Venezuela's largest roof-tile manufacturer earlier this year, to strengthen Corimon's position in the construction materials market, Neumann is more confident than some of his competitors about the investment climate here.

"The business sector is still partially in shock from the oil boom and then the price collapse", he says. "And though the shock is abating, there is still not enough confidence in the air, which I personally dont understand".

At the same time, Neumann proved an exception to the rule after the oil price bust, and kept investing here when few other firms, local or foreign, had the courage.

"We have always been confident that sooner or later, Venezuela would solve its problems", he says. That confidence, he suggests, derived from the way he started in business here in the first place.

Having put his faith in Venezuela as a young man, and staked his future on the country's future, he points out, psychologically he could not afford to lose that faith.

Corimon's continuing investment programme has paid off well, Neumann says, reflected in a 36 per cent growth in net profits from 1986 to 1987. His businesses have also benefitted from the recent devaluation of the bolivar, which has strengthened the hand of local industry over imports.

Neumann has now fixed his eye on the services and hi-technology sectors, and is especially keen to boost Corimon's export potential.

He is known not only as a successful businessman, however, but as a man with a marked social conscience and a concern for Venezuela's social progress that set him apart from the leaders of other companies here.

He has made a special effort, for example, to promote women within Corimon. The group's general manager and treasurer are both women, as is the manager of the Neumann family foundation.

That foundation, which promotes the arts, and endows Venezuela's leading business school, is also a vehicle Neumann uses to promote his vision of Venezuela's future.

"Development is basically a cultural change", he believes. "Social and economic changes are based on that". And Neumann is disappointed at the educational and cultural level of Venezuelan leaders.

A chemical engineer, Neumann uses a chemical analogy. "If you dont have enough catalyst, the catalyst is lost, and nothing happens. But if you do have enough, the whole quality of the mixture changes".

Venezuela's future success, he argues, depends on raising the level of leadership - injecting more catalyst - "in all spheres, economic, social, political, cultural and intellectual".

In the business field, Neumann believes, that leadership will emerge only insofar as the private sector grows more independent of the state. "In the past, we have all leant very heavily on the government", he acknowledges. "But really, the private sector has much more potential than it thinks it has".

Peter Ford

Petrochemicals

Goal is to cut back imports

VENEZUELA'S petrochemicals sector - led by Pequiven, the state-owned producer of petrochemicals - is pushing ahead with an ambitious expansion scheme calling for investments of approximately $2bn between now and 1992.

Pequiven - whose full name is Petroquimica de Venezuela SA - bases its expansion programme on the desire to maximise the use of Venezuela's large reserves of natural gas, the principal raw material used in producing petrochemicals.

Pequiven is refurbishing and upgrading existing plants, and will build new installations both for supplying the domestic market and for export. In all of these situations, the company's goals are to reduce or eliminate dependence on imported items used in the elaboration of a vast array of petrochemical and chemical products, as well as to earn hard currency from exports.

Pequiven currently has two major petrochemical complexes: one is at Moron, in the central state of Carabobo, and the other at El Tablazo Bay, in the western state of Zulia.

The Government plans to develop a new petrochemical complex at Jose, in the eastern state of Anzoategui, near a natural gas liquids plant operated by the national oil industry.

An exporting petrochemicals industry is planned to back petrol production

Venezuela's petrochemicals sector is dominated by Pequiven, the largest producer by far, but also includes a group of joint venture companies where the Venezuelan government, foreign and domestic concerns are investors. Foreign companies that have investments in the petrochemical sector include Shell, Phillips, Pechiney Ugine Kuhlmann, CDF Chimie, Dow Chemical, Mitsui, DSM (Holland) and two Colombian companies. Over the last year, Pequiven announced it had chosen foreign partners for two major petrochemical projects. In December 1986, the Government revealed that it would build a 70,000 tonnes per year (mtpy) polypropylene plant using Mitsui technology. The new plastics plant will be located at Pequiven's Zulia complex, and will require investments of about $133m.

Partners in the new venture - called Polipropileno de Venezuela S.A. - are Pequiven (reportedly with 49.4 per cent of shares), Mitsui Petrochemical Industries of Japan (20.2 per cent) and two Venezuela private sector groups with extensive experience in the production of petrochemicals and chemicals, with 15.2 per cent each. The two Venezuelan investors are the Grupo Zuliano C.A. and Promotora Venoco C.A.

Polypropylene is the only major type of plastic not currently produced in Venezuela. Output from the plant will be used primarily to meet domestic demand, and any surplus will be exported. The facility's promoters expect it will take 30-36 months to come into production. Venezuela now spends about $80m per year on polypropylene imports.

In March of this year, Pequiven announced that Ecofuel, a subsidiary of Italy's Ente Nazionale Idrocarburi (ENI), was chosen as the foreign partner in a company that will build a 500,000 mtpy plant to produce methyl terciary butyl ether (mtbe), an additive used to increase the octane rating in petrol.

Ecofuel and Pequiven will be equal partners (49 per cent each) in a new venture called Super Octanos CA while the remaining two per cent of stock will be sold to Venezuelan private investors.

Estimated investment in the new plant will be $144.8m (bolivars 2,100m), and the facility will be located in Jose. Project management, engineering and execution will be carried out by a consortium made up of another ENI subsidiary, Snamprogetti, and a Venezuelan company called Tecnoconsult. Output from Super Octanos will be exported.

Many other petrochemical projects are now under study, including new plants to make ethylene oxide, ethylene glycol, caustic soda, olefins, linear polyethylene, ammonia and urea, sulphuric and phosphoric acid, pvc, mvc and others.

The Government has been holding talks with French and Norwegian investors on the construction of a 500,000 mtpy ammonia plant for eastern Venezuela, but thus far has not been able to reconcile differences between the potential foreign partners.

In addition, the Government's decision to apply a new foreign exchange rate (14.50 bolivars per US dollar) to all foreign investments has caused potential investors in petrochemicals and other sectors to re-evaluate these projects. Investors are worried that if they bring money into Venezuela at the Bs14.50/dollar rate, they have no guarantee that they will be able to remit future profits at the same rate.

The Government has altered its official exchange rate in four major instances since taking office in early 1984, and many observers believe that either this or the next government will be forced to devalue the 14.50 rate. In contrast to the 14.50 figure (one of two official rates now in effect), the bolivar recently traded at 30-35 per dollar on the free exchange market.

Until this problem is solved, new foreign investments in petrochemical and other sectors will be delayed.

Last year, Pequiven logged very good results. The company produced 2.05m tonnes of products, the highest figure ever. Even though the industry has a nominal installed capacity of 2.7m mtpy, some installations are quite old and cannot produce at full capacity unless large new investments are made.

The Government is improving old plants wherever it is economical and building new production facilities to make the industry more efficient in general. Pequiven currently is building a new sulphuric acid plant and fertilizer-making plant at the Moron complex. The company also actively maintains and improves existing facilities.

Sales volume reached over 2m tonnes in 1986, with 79 per cent going to the home market and 21 per cent to exports. Net volume was $106m on sales of $562.9m. Pequiven investments this year should reach $177m, up from $48.3m in 1986.

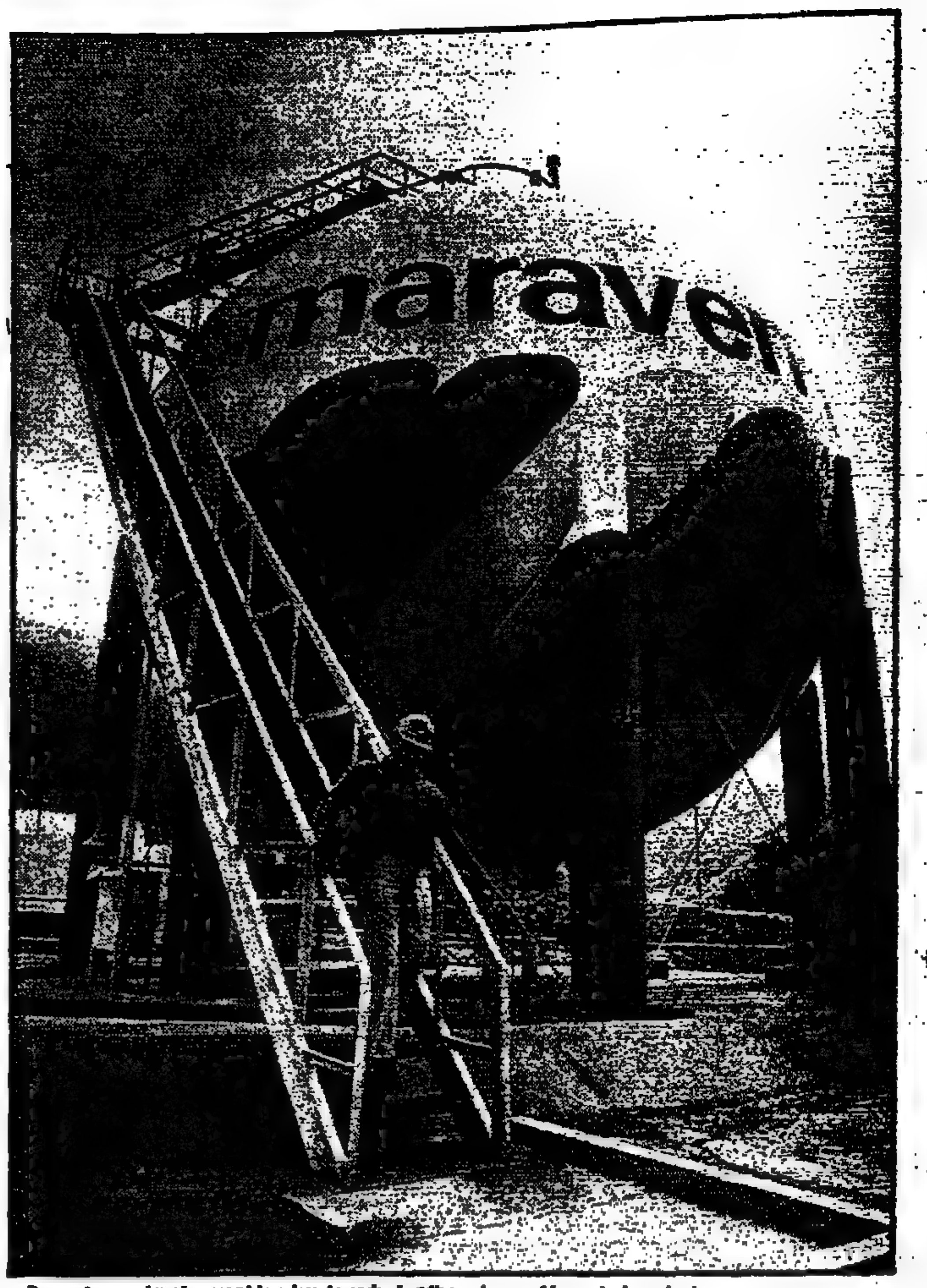
Although the company's finances are generally excellent, it has been hurt by the central government's failure to pay on time large sums due for fertilizer subsidies. Pequiven sells fertilisers domestically at heavily-subsidised prices, and is supposed to be compensated by the executive branch.

Pequiven is a success story for Venezuelan management. For many years, the industry - under the now-defunct Venezuelan Petrochemical Institute (IVP) - was producing at only a fraction of its capacity, and lost huge sums of money. Despite some excellent executives and employees, the IVP was viewed as one of the most politicised, disorganised and inefficient state companies anywhere in Latin America.

The national oil company, PDVSA, took over the petrochemical industry in 1977 and set up Pequiven. At this time, the IVP's accumulated losses were in the hundreds of millions of dollars.

The new company dramatically increased production and efficiency, and steadily reduced losses through 1982. By 1983, Pequiven produced its first profits, and has been in the black ever since.

Joseph Mann



Downstream development is a key to reducing the volume of imported products.

Aluminium industry

Expansion programme under way

ALREADY AN important aluminium producer in world terms, Venezuela is now moving to take advantage of its position as the lowest-cost maker of primary aluminium and its broad experience in the field to become - by the end of the century - one of a select club that will include the largest international aluminium producers and exporters.

Venezuela's government-controlled aluminium industry - consisting of Alcasa (Aluminio del Caronica SA), Venalum (Industria Venezolana de Alumina CA) and Bauxiven (Bauxita Venezolana CA) - is in the middle of an expansion programme that should be largely completed by 1989.

At that time, the industry will have primary aluminium smelting capacity of more than 662,000 tonnes per year (mtpy), rolling capacity of 80,000 mtpy, alumina production of 1.5m mtpy and bauxite ore output projected at 3m mtpy.

In addition, Alcasa, Venezuela's oldest aluminium producer, has announced that it will begin construction next year of a new 180,000 mtpy aluminium smelting line using Pechiney technology and costing $667m. The Government will also set up a joint venture to build another 180,000 mtpy smelter with the same estimated investment cost.

Partners in the latter venture reportedly will be a government development agency called the CVG (Corporacion Venezolana de Guayana), Alcasa, Austria Metall, Pechiney and the government of Bulgaria.

After these two new plants are finished in the early 1990s, Venezuela's total aluminium smelting capacity will reach more than 1.02m mtpy. Morgan Guaranty Trust is to secure financing for Alcasa's new smelter, and the Government hopes to pay for part of the venture through a large debt-equity swap.

Investments in Venezuela's aluminium sector over the next few years will reach about $2.7bn, or 39.2bn bolivars. Several smaller private aluminium projects are also planned.

The availability of bauxite ore from Bauxiven's mine in the Venezuelan jungle will also progressively eliminate the need for bauxite imports and give the country a fully-integrated aluminium industry. Aluminium is already the country's second-largest export item after petroleum, and its importance is steadily increasing.

Last year Venezuela's major aluminium companies - Alcasa and Venalum - produced 420,660 tonnes of primary aluminium and products, and exported over 250,000 tonnes.

The Government and the industry are also studying the feasibility of increasing overall smelting capacity to more than 2m mtpy by the year 2000. At this level, Venezuela would rank as one of a small group of major players in the world aluminium industry. And if the country can maintain its present status as the low-cost producer over the next decade, it could play a dominant role in the world market.

At the same time, the industry is aggressively seeking investment possibilities in downstream aluminium activities abroad that will assure Venezuela the long-term placement of primary aluminium (ingots, cylinders, and so on) in the US and European markets. These offshore investments will also provide the industry with direct shares in profits from the manufacture, distribution and sale of products, plus a new and active role in the international aluminium market.

Alcasa initiated this new stage of Venezuela's international activities last year when it purchased a half-interest in a Aleurope, an aluminium products company located in Belgium. Alcasa and Reynolds International (the minority stockholder in Alcasa) are now equal partners in Aleurope, and Venezuela has gained its first foothold in the downstream side of the European aluminium business.

The partnership in Belgium also has the advantage of opening the door for Venezuela in the European Community, and future investments in the US should help attenuate the effects of protectionist measures in that country aimed against non-American aluminium producers. Both Alcasa and Venalum are currently studying a range of investment opportunities in the US and Europe, and are expected to make decisions on new ventures in the coming months.

Financing for the industry's expansion is not currently a problem. Funds are being provided by the Government (Venezuelan Investment Fund), by the companies themselves and by loans from a variety of European and Japanese institutions in the form of supplier credits and project finance loans.

Swiss Bank, West Germany's KFW, Banque Indosuez, Banque Francaise du Commerce Exterieur and Mitsubishi Corp. are some of the institutions financing the expansions at Alcasa and VenaLum. The aluminium smelters and Venalum are able to generate significant foreign exchange income from their exports, a factor which makes these projects attractive to investors, banks and equipment suppliers.

Aluminium industry executives believe that while future world aluminium prices are uncertain, Venezuela still holds an important advantage since it is currently the lowest-cost producer of primary aluminium. During the first half of 1986, Venezuela's average direct aluminium operating cost stood at 32 US cents per pound of aluminium.

Other low-cost producers ranged from 34.3 (South American producers, excluding Venezuela) to 40 cents (Oceania) per pound. Canada's cost was 37.6 cents while the US was 50.9 cents. Japan stood at 71 cents and Western Europe at 46.

An important variable in the world aluminium business for the future will be energy costs, and Venezuela's aluminium industry still enjoys a strong advantage due to very low energy costs from the Guri hydro-electric complex (generating capacity: 10,000 Mw), located near the aluminium-producing zone. In addition, the country is well-placed geographically vis-a-vis US and European markets, and will soon be able to use its own low-cost, high-quality bauxite to make alumina.

Industry managers point out that there are a variety of problem factors on the international aluminium scene. For example, unless some price stability is achieved over the long term, it will be very risky to plan for future expansion in Venezuela or anywhere else.

And as smelting capacity among high-cost producers is reduced (in the US, Western Europe, Japan), it is being replaced by new smelting capacity in Canada, Norway and developing nations in South America, Africa, the Middle East and Australasia.

Developments in the world aluminium market, plus factors such as oil prices, government debt service and the performance of Venezuela's aluminium sector, will determine whether this administration or the next makes a full commitment to adding another 840,000 mtpy of smelting capacity before the end of the century.

The Lusinchi government has already decided to go ahead with another two new smelters, each with 180,000 mtpy of smelting capacity.

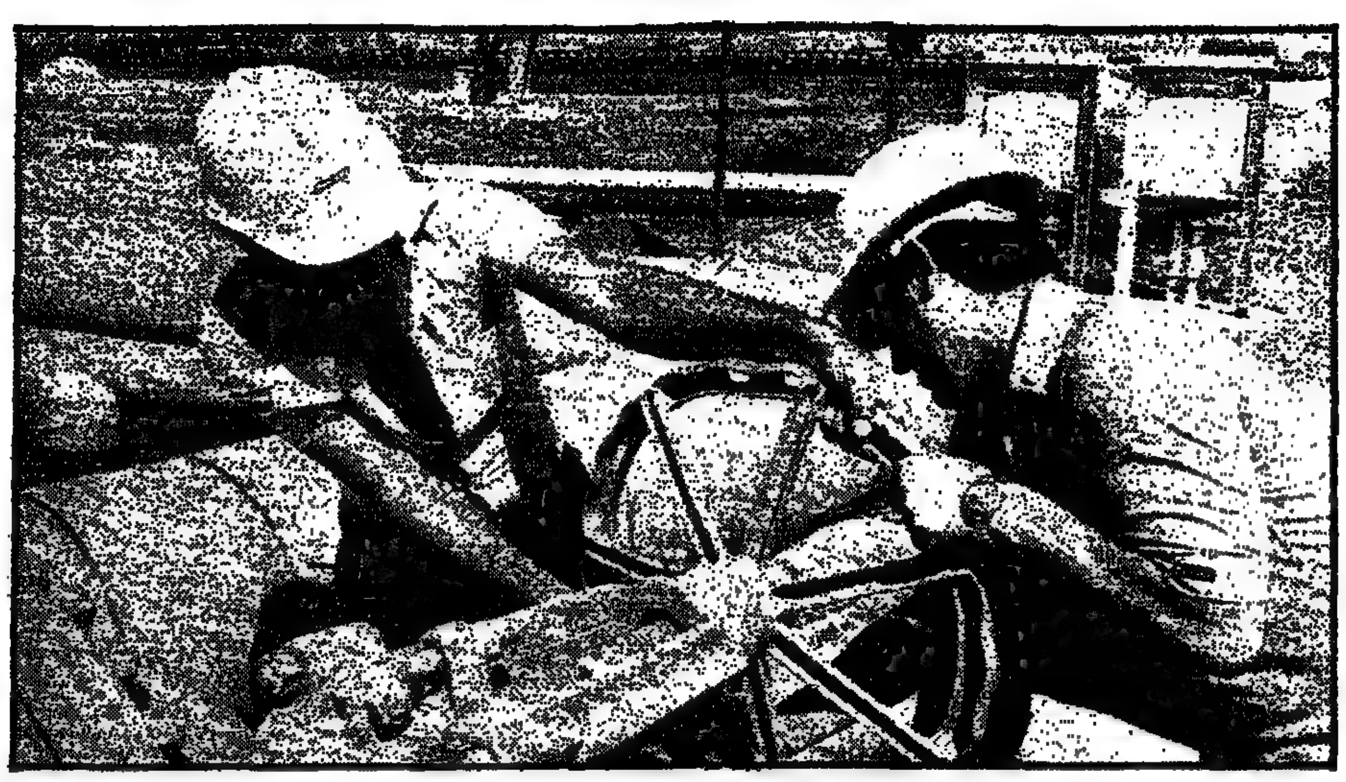
Joseph Mann

Downstream oil investments

World presence brings big benefits

AS WORLD OIL prices collapsed in early 1986 and Venezuelan officials became alarmed over the possibility of losing important overseas markets for petroleum, the mainstay of the national economy, President Jaime Lusinchi's government announced an ambitious programme of downstream investments in the US and Europe for the national oil company, Petroleos de Venezuela SA (PDVSA).

This initiative thus far has involved investments of about $400m and the purchase of important shares in four oil refining and product distribution systems. Two of these are located in the US (Citgo Petroleum and Champlin Refining), and two in Europe: Veba Oel in West Germany and Nynas Petroleum in Sweden. PDVSA also has held talks on establishing additional joint ventures with oil companies outside Venezuela.



Lagoven oil terminal near Maracaibo

Viewed by some oil analysts as long overdue, this overseas programme - called internationalisation by the Venezuelans - has brought important benefits to the country: it has enhanced Venezuela's presence as a world oil producer and refiner, given the nation the new role of major investor in the US and Western Europe, helped the government-owned oil industry limit its export losses during a critical period for the world oil market, and insulated Venezuela from some of the worst effects of future oil shocks.

"Internationalisation has converted PDVSA into a major-league multi-national," one foreign oilman observes. "The country has been an important player on the world oil scene for decades, but only as a home-based producer and refiner. These foreign acquisitions give it new international weight and status - and also produce new risks."

Mr Juan Chacin, president of PDVSA, said earlier this year that his company's downstream investments now guarantee placement of about 435,000 barrels per day (b/d) of Venezuelan crude and products, and that the goal is to obtain assured markets for 700,000 b/d.

Exports of crude and refined products in 1986 averaged 1.53m b/d (949,000 b/d of crude and 585,000 b/d of products), and the export target for 1987 is 1.52m b/d. This means that PDVSA is shooting for minimum assured placement of almost half of its projected 1987 export volume.

"The foreign downstream participation has contributed to establishing Venezuela's presence in the international oil market," Mr Chacin said. "The industry, which until recently was largely an exporter of crudes, has now become a principal factor in the marketing of products in important world consuming centres."

The 435,000 b/d figure provided by PDVSA'S chief executive is a minimum volume under existing supply agreements between the Venezuelan National Oil Company and its overseas partners. Using figures provided by the Government, PDVSA could ship a total of about 585,000 b/d to these partners if all options are exercised covering maximum liftings.

In addition, the above figures on total placements of Venezuelan oil do not include an average of 140,000 to 145,000 b/d shipped to the former Shell refinery in Curacao, which PDVSA began leasing in late 1985.

Maintaining a steady income from PDVSA is crucial for the Venezuelan government, since it depends on petroleum for most of the country's foreign exchange and for an important share of Treasury revenues. The Government was hurt by falling oil prices last year, when its oil exports dropped to $7.2bn, down more than $5bn from the $12.9bn in 1985.

However, without the markets guaranteed by its new offshore investments, Venezuela's financial loss in 1986 would have been even greater. And oil revenues this year - and in the future - would be reduced.

Venezuela made its first overseas petroleum investment in 1983 in West Germany. This was a joint refining venture with Veba Oel which proved to be a success. However, no additional investments were announced until 1986.

Ironically, this was due mainly to the negative position of the Accion Democratica (AD) party, which was in opposition from 1979 through early 1984 and which now controls the presidency and holds a majority in Congress.

Venezuela's offshore oil investments at the present are as follows:

● PDVSA revealed early last year that it was expanding a 1983 joint venture with West Germany's Veba Oel. In the 1983 deal, Venezuela's first overseas investment, PDVSA and Veba set up a company, Ruhr Oel Gmbh, in which each company held 50 per cent of the stock. PDVSA'S initial investment in Ruhr Oel, whose chief assets at the time were an oil refining complex (crude processing capacity: 210,000 b/d) in Gelsenkirchen worth DM165m.

● PDVSA substantially increased its European holdings last year by investing another DM136m (then about $65m) and acquiring additional Veba assets, which were placed under the control of Ruhr Oel. These assets included Veba's 38 per cent interest in a 7m metric tonnes per year (mtpy) refinery at Karlsruhe, its 50 per cent share in a 7m mtpy refinery in Neustadt, Veba's Muenschmuenster olefin plant, and shares in the transalpine and South European pipeline systems.

PDVSA now is guaranteed placement of 145,000 b/d of crude in West Germany through its partnership in Ruhr Oel. Products made from Venezuelan crude are sold through Veba's distribution network.

● At the end of June 1986, PDVSA acquired a 50 per cent interest in Nynas petroleum, a subsidiary of the Axel Johnson group. PDVSA paid SKr153m (about $20m) for its shares and can place up to an average of 40,000 b/d of crude.

Nynas owns three refineries (total processing capacity: 56,000 b/d) and an extensive storage and distribution system in northern Europe. Nynas' refineries were designed to handle principally Venezuelan crudes, and turn out naphthenic lubricants and asphalt.

● In September 1986, PDVSA bought 50 per cent ownership in Citgo Petroleum from the Southland Corp for $290m (cash outlay: $120m.) The deal gave Venezuela half-ownership of Citgo's 320,000 b/d refinery at Lake Charles, Louisiana, and access to its extensive marketing and transport system.

It also provided Venezuela with part-ownership of the Citgo lubricants plant in Lake Charles (65 per cent Citgo and 35 per cent Conoco), and shares in the Colonial and Explorer pipeline systems.

PDVSA agreed to ship Citgo a minimum of 130,000 b/d (120,000 b/d of crude and 10,000 b/d of heavy naphtha), with an option to supply up to 200,000 b/d.

● In March of this year, PDVSA and Union Pacific Corp. finalised an agreement to set up a 50-50 partnership (Champlin Refining Co) that will own and operate the 160,000 b/d refinery in Corpus Christi, Texas, previously held by Champlin Petroleum Co, a unit of Union Pacific.

PDVSA announced that it paid $30m in cash, but other sources said that it would contribute $63m more in crude and products. The Venezuelans will supply Champlin Refining with a minimum of 140,000 b/d of crude and naphtha at market-related prices and have an option to ship up to 50,000 b/d more.

The new partnership acquired the refinery, its distribution system, inventories and the Champlin trade name. Total assets involved in the deal are estimated at $190m. Champlin refining also leased a $300m high sulphur crude plant from the General Electric Credit Co.

In addition to the above, PDVSA last year set up a wholly-owned subsidiary called Interven SA to coordinate negotiations with potential foreign partners and to centralise management control of existing joint ventures.

Petroleos also continues to lease the former Shell refinery on Curacao (crude processing capacity of 320,000 b/d), plus its deepwater port and storage facilities, from the government of the Netherlands Antilles. PDVSA signed a five-year lease on the refinery effective Oct. 1, 1985 and pays an annual rent of $11m.

PDVSA also agreed to make investments in the refinery. Venezuela reportedly ships an average of 140,000-145,000 b/d to the facility, now operating as a PDVSA subsidiary called Isla SA.

The Curacao venture was not conceived as part of the Government's overseas investment plan. In fact, the Lusinchi administration agreed to lease the refinery in order to avoid economic and political disruptions on the nearby island after Shell pulled out.

In 1985, PDVSA did not welcome the task of taking over an old refinery, but the plant has provided the Venezuelan oil industry with modest profits, one PDVSA director says, while giving it added flexibility through its extensive storage capacity and deep water port in the Caribbean.

One of PDVSA'S proposed internationalisation ventures was cancelled last year, apparently the result of a domestic political controversy. PDVSA planned to invest $11m for a half-interest in Steuart Petroleum, a company based in Washington, DC, that distributes oil products on the US East Coast. But in June 1986, Steuart abruptly decided it would not go ahead with the deal, shortly after a major political scandal erupted in the Venezuelan Congress over continuing negotiations with Citgo.

A deputy from the main opposition party, Copei, suggested that Venezuela was being swindled on the Citgo deal, and called for an investigation that turned into a nasty cross-examination of some PDVSA executives in Congress.

PDVSA said that Steuart's decision was made owing to "substantial changes in the oil market." However, industry sources in Caracas said that the closely-held US company did not want to risk becoming the target of political attacks and probes in Venezuela, as was the case with Citgo and Southland.

Many Venezuelan oilmen were dismayed by the lack of support that PDVSA received at the time from the Energy Ministry, which failed to offer a vigorous defence of the state oil company while politically-charged hearings on the Citgo issue were being held in Congress.

Venezuela's strategy in its downstream investments programme centres around the need to ensure access to stable markets over the long term for its crude and products. In keeping with the Government's wish to avoid spot or speculative sales of Venezuelan oil, PDVSA has invested in companies with their own distribution systems and access to industrial and retail consumers.

Some of the basic guidelines followed by Venezuela's negotiators in seeking new partners have been the following:

● PDVSA has sought to acquire an important decision-making role in companies where it invests so it will be able to maintain sales of its own crude and products to eventual partners.

The Venezuelans are not interested in full ownership, but wish to take advantage of their partners' technical and marketing expertise. They also look principally for companies with their own refinery and distribution systems

● Venezuela also seeks equity positions in downstream companies with a minimum initial cash investment, while using petroleum, dividends from the new investment, cash flow and commercial credit in the country where the investment is made to finance the rest of the stock purchase.

● Up to now, PDVSA has given preference to refineries capable of processing heavy crude oils, since Venezuela holds vast reserves of heavy oil. It has also stressed investments in efficient refineries not requiring major investments for upgrading.

Some industry observers believe that PDVSA will look for potential placement of more refined products, rather than continuing to stress agreements for lifting crude.

● Company officials look for well-managed, efficient companies as potential partners, and try to avoid companies with potential legal, labour or environmental problems on a major scale, offering potential for anti-trust suits or other conflicts over competition.

PDVSA does not reveal detailed data on its overseas operations, but industry observers believe that the result of these investments have been positive up to now. The fact that Venezuela was able to obtain an average of $13.90 per barrel for its 1986 oil exports was partially due to its overseas operations.

While this is off sharply from 1985's $26.55 per barrel, it was better than the company would have done without its offshore assets.

"These offshore investments helped Venezuela cushion the blow of a disastrous year on world oil markets," a Western diplomat says. "And they will continue to be important assets in the future. It's a shame governments here didn't make the move years ago, when they could have picked up some refineries for next to nothing."

The benefits of internationalisation to PDVSA include factors beyond securing market share overseas. The company - and the nation - also obtain dividends on their investments, access to a total of 2m b/d in home and offshore refining capacity, new and valuable experience in downstream activities in highly-competitive American and European markets, and first-hand management and technology experience for PDVSA executives in a variety of international environments.

At the same time, Venezuelan oilmen stress the importance that internationalisation plays in easing the conflict-prone nature of relationships between oil producers and consumers.

The most important criticism of PDVSA's overseas investment programme is that it was delayed for years because of resistance from some political leaders. Ever since the 1976 nationalisation of foreign oil companies, it was apparent that PDVSA should think about expanding outside Venezuela to become a true international oil company, with reserves, production, refining and transport systems at home and other refining and distribution systems offshore.

Some industry executives were acutely aware of this. If the firm did not move in this direction, it would find itself in a vulnerable position, basing its future on domestic production and refining, and on the vagaries of international marketing.

Joseph Mann

Coal development

Progress in plans to mine reserves

AFTER ALMOST a decade of delays, the Venezuelan government is finally making progress on a project to develop the huge coal reserves found in the Guasare coalfields in the western state of Zulia.

In April of this year, Venezuela's national oil company, Petroleos de Venezuela SA (PDVSA) and two international coal companies signed a letter of intent to develop the Zulia mine. One foreign partner estimated that investment in the project would be about $500-550m.

The original plan called for developing an open pit mine with the capacity to produce 6.5m tonnes per year (mtpy), building a railway to carry coal to a port (yet to be built) on the Gulf of Venezuela and other infrastructure.

Partners in the project are now re-discussing the feasibility of building a railway and a new port, as well as economic factors affecting the project. (An earlier version of the coal scheme called for using a 105km conveyor belt instead of a railway.) The Government, however, hopes to finalise the project by the end of this year.

The Carbozulia mine will be Venezuela's largest, and when maximum production capacity is reached it will rank as an important producer of steam coal in world energy terms. Venezuela plans to export all coal produced from the Zulia mine, principally to clients in Europe.

The lead partner in the venture will be Carbozulia (Carbones del Zulia CA), a wholly-owned subsidiary of PDVSA which was set up to manage the project and will hold 49 per cent of total shares. Foreign partners who have signed the letter of intent are Agip Carbone, a subsidiary of Italy's Ente Nazionale Idrocarburi (Eni) and the Arco Coal Company of Venezuela, a wholly-owned subsidiary of Arco (Atlantic Richfield) of the US.

The letter left open the possibility of including a third foreign partner, Carboex of Spain. Participation of the Spanish concern should be decided by the end of this year. The group of foreign partners - whether it will eventually include two or three companies - will hold a total of 48 per cent of stock in the venture, while 3 per cent will be sold to private investors in Venezuela.

Carbozulia is now producing small amounts of coal (80,000-130,000 mt), according to a company official, and expects to send test cargoes to potential foreign clients in November.

However, formalisation of the partnership has run into trouble. Foreign partners have balked over the exchange rate that will be applied to their investments (14.50 bolivars per dollar), and are re-evaluating other aspects of the project, such as the railway and port.

Original financial projections were drawn up before the most recent devaluation of the Venezuela bolivar, which occurred at the end of last year, and before the 14.50 bolivars rate was applied to all foreign investments. Among other things, these investors do not want to risk financial resources at 14.50 bolivars to the dollar when they cannot be sure at what rate they will be able to remit future profits.

In the free market, the Venezuelan bolivar recently stood at around 32-33 to the dollar, considerably weaker than the 14.50 rate, one of the two official rates now in use

The Guasare region, where the mine is to be located, is near the Colombian border, and covers 8,250 hectares. The specific zone, called Paso Diablo, has readily recoverable reserves estimated at over 300m mt (from open pit activities), out of proven reserves of over 400m mt. Total coal reserves for the area are estimated to be much higher.

Zulia coal is considered good steam coal. It has about nine to 13 per cent ash content, and could probably be exported unwashed (run of the mine). Thermal value is estimated at 12,500 btu/lb and sulphur content at 0.7.

The mine began producing small quantities of coal this year in order to acquaint potential customers with the product. Over a five to six-year period, production is expected to increase in stages to 2m mtpy and eventually to 6.5m mt. The Venezuelans would like to design the project so that ultimate production capacity could even be doubled. if future demand for coal warranted such an expansion.

The Venezuelans expect to sell at least 80 per cent of Zulia coal to clients in Europe, and Italy alone could absorb a sizeable share of output, one source says. Although observers believe that the world coal market will be extremely competitive for the next decade, Agip Carbone feels that Zulia's low-cost coal will have an important edge internationally.

Venezuela hopes to avoid some of the problems encountered at the Cerrejon coal project in Colombia. Sources say that capital costs at the Colombian project were too high, and that costs per tonne produced therefore became uneconomical.

A study on the Zulia project carried out by BP coal in 1985 estimated production costs at about $21 per tonne fob in 1985 dollars. This is viewed as giving Venezuela an advantage in pricing its coal attractively for international users.

The Zulia coal project has been discussed in Venezuela for many years, but was clearly defined only about ten years ago when the government of President Carlos Andres Perez (1974-1979) called for international bids on the coal project, and related steel and thermo-electric plants (The latter two were eventually shelved.) The Perez government ran out of money and time, and the succeeding administration (1979-84) also promised to move ahead with the projects but failed to do so.

The current administration - which took office in early 1984 - identified the Zulia coal scheme as high priority, but was slow in deciding on the foreign partners. About 43 foreign companies were interested in participating in the Carbozulia project.

Apart from the foreign concerns mentioned above, the following companies were also interested in the coal project: BP Coal and Shell Coal of the UK, SSM Coal (Holland), Vedeminica (Spain), A.T. Massey and SME Industries (US), Kopex (Poland), Charbonnages (France), Idemitsu Kosan (Japan) and Kloeckner (West Germany). Until the names of the foreign partners were announced earlier this year, BP Coal was considered a front-runner.

In addition to Carbozulia, the Government is promoting another coal mine in Tachira state, also in the west, and a private consortium of Spanish and Venezuela partners is developing a new coal mine in the east.

In Tachira, the administration hopes to save on imports of coke and phosphates by developing coking coal and phosphate ore deposits there. It also wants to open up the west by making the upper waters of the Apure river navigable, thus giving western Venezuela easy access to the Orinoco river and the Atlantic.

Under the Government's plan, output from coal and phosphate deposits in Tachira would be trucked down to a river port and taken on barges down tributaries of the Apure to the Orinoco. The coal deposits in the towns of Lobatera, Rubio and Las Adjuntas are to be mined under the control of the government-owned Carbones del Suroeste, CA (Carbosuroeste).

The goal is to extract up to 700,000 mtpy of coal that will be used to make coke for plants in the Guayana industrial zone. A group of Spanish investors associated with mining activities reportedly plans to invest more than $28m in the project. In addition, the government is building a 36,000 mtpy coke plant near the coal mine. Last year Carbosuroeste, which was formerly called Carbones de Lobatera CA, produced just over 40,000 mt of coal.

The Government is also developing a 500,000 mtpy phosphate ore mine in the nearby towns of Colon and Navay. Estimated investment for this scheme is $8.9m (128m bolivars). This project is being run by another state-owned agency, Fosfasuroeste (Fosfatos del Suroeste CA.) formerly called Fosforita Tachira CA (Fostaca). In both cases, the Government said it would set up joint ventures with private partners to develop the mines.

There are serious reservations about the Tachira projects in the minds of some private sector analysts, but they are being fervently advanced by Mr Guillermo Colmenares, Minister of the Environment, and have the full support of President Lusinchi. A test shipment of ore was made to prove that the feat could be done, but the river connection between the Andes and the Orinoco simply does not work for commercial barges, and water levels during the dry season fall to very low levels in some of the western rivers involved.

Two private companies are also moving ahead with a coal mine, Calle Fila Maestra, in another part of the country. Venezuela's Mendoza group (CA Venezolana de Cementos) and a subsidiary of Spain's Union Explosivos Rio Tinto set up a joint venture called Cavoven in 1982 to exploit the Fila Maestra coal deposits near Clarines, in Anzoategui state.

Cavoven has a 22-year renewable contract with a regional government entity called Corporiente for mining this coal, and originally planned to reach production capacity of 700,000 mtpy of steam coal for export.

Progress on this well-planned and economically attractive project was slowed by various problems with the current and previous governments. For example, the concession agreement had to be renegotiated when the Lusinchi administration took over in 1984, and the current applicable exchange rate (14.50 bolivars per dollar) for Cavoven's operations raises problems as to imports of spare parts, future profit remittances and other factors.

The mine has moved ahead despite these problems, and is now producing at the rate of 15,000 mt per month using one shift of workers. As personnel are trained for a second shift, output will be raised to about 25,000 mt per month (300,000 mtpy).

Investment thus far in the project has been 190m bolivars (this includes $10-12m at old exchange rates), and another $16-18m would be needed to reach the original design capacity of 700,000 mtpy.

Joseph Mann

Gold mining

Fortunes to be made

"WHEN YOU work with gold, life is good." Elio Almeida, a retired helicopter mechanic in his fifties, has struck it rich. Driving through the forest in his brand new air-conditioned Jeep to survey the workings that earned him over $50,000 last year, he knows what Venezuelan officials are just beginning to realise: there is a lot of money to be made here.

Almeida belongs to a mining cooperative half an hour upriver from the scrappy little town of El Dorado, deep in the jungle province of Guayana.

Sir Walter Raleigh sailed up the Orinoco, seeking the fabled El Dorado, but he didn't go far enough. Now a tarmac road leads there, and Almeida's fellow co-op members in the Papayal mining camp are only a few hours from civilisation.

They live in rudimentary fashion though, mostly in wood and tin shacks scattered across the bare red hillside cleared of trees, and they mine their gold in rudimentary fashion too.

A few co-op members have mechanical diggers. Most hire labourers with picks and shovels to hack out small open pit mines. And the labourers themselves sink narrow shafts wherever their instinct tells them there might be a seam.

The extraction process is primitive. As the ore is ground, washed down sluices lined with corduroy to catch the heavy gold particles, mixed with mercury to separate them and then melted, half the gold is lost.

But when each ton of rock holds 30 grams of the precious metal - the average rate for Papayal but remarkably high by world standards - that scarcely matters to the miners.

It matters to the Venezuelan government, however, that so much of a valuable non-renewable resource is being wasted, and the Ministry of Energy and Mines (MEM) has recently begun to do something about it.

"The goal", explains MEM mining director Mr Winston Bereciartu, "is to circumscribe the development of small, independent mining (in Guayana), so that activity is carried out in an orderly and rational manner."

Most of Venezuela's current gold output is produced by some 20,000 individual wildcatters, with or without permits, living in the area around El Dorado. No one knows exactly how much gold they take out because most of it, officials say, is not declared, but estimates run as high as ten metric tons a year, worth about £150m at current world prices.

Before South Africa's gold deposits were discovered in the 1880s, Venezuela was one of the world's major gold producers. Officials involved in gold prospecting in Guayana say they have reason to believe the region may hold as much as 10,000 tonnes of reserves.

But the relatively small scale of Venezuela's mining industry at the turn of the century made it uneconomic in the days when gold was not worth much, and then oil was discovered here.

"The gold potential has never been properly mined. Because Venezuela has so much oil, no one has ever bothered with anything else," says Mr Federico de Castro of Monarch Resources, a British company that has just launched a gold mining venture there.

Monarch and another British group, Greenwich Resources, are the first foreign companies since 1943 to be given gold mining permits in Venezuela.

Greenwich, with operations in Alaska, Egypt and Sudan, is planning a mine south of El Dorado, on the road to Brazil, in one of the richest zones, known as Kilometre 88.

Monarch, formed last year by a group of British and South African gold industry executives, is embarking on a broader £11m project with several components.

To start with, Monarch has entered a joint venture with the state-owned Minerven to exploit tailings - ore from which earlier miners with primitive technology extracted only part of the gold - in the Mocupia Gorge.

The engineering company of E.L. Bateman, which surveyed the area, concluded that the tailings hold just under 200,000oz. of gold, and that if new technology can extract 85 per cent of that, the 15-year operation should earn $72.6m at current prices.

Also in conjunction with Minerven, Monarch is planning to reopen an old mine whose records show extraordinary strikes of ore carrying as much as 215 grams of gold per tonne. At the same time, the company will offer technical assistance to Minerven, whose existing Colombia mine and plant are not producing as much as they should.

The Government's approach to joint ventures with 244 foreign companies in gold mining has been "cautious," says Mr Andrew Nelson, Monarch finance director.

"Behind that attitude," adds de Castro, "is the phantom of the big international gold companies," unwelcome in a country that nationalised its mineral resources in 1976. "The Government tends to be rather cagey in opening up to a wider field of opportunities," he laments.

That caution is reflected in a new mines law, currently before Congress, replacing obsolete legislation dating from 1910. Designed to lay the juridical basis for a new mining industry, the Bill does not offer many incentives to outside investors.

Despite the highly speculative nature of gold prospecting ventures, the Bill grants no tax holidays, for example, and imposes a 60 per cent tax on profits from the outset.

That has not put Monarch off. "We are not looking for a contract whereby we can't lose," says Nelson. "We are here on an entrepreneurial basis. And we believe there are probably enough deposits to turn Venezuela's gold industry into a sector of international significance."

At the Papayal mine, Elio Almeida is more blunt. "When you've done this, it's hard to do any other job," he sighs. "Here you see money."

Peter Ford

Worker at PDVSA, the highly successful state oil company which earns most of the country's foreign exchange.

Oil production

State producer strong and profitable

IN VENEZUELA, petroleum drives the economy. And the petroleum industry is in the hands of the national oil company, Petroleos de Venezuela SA (PDVSA).

PDVSA was established 12 years ago, at the time that Venezuela's huge oil industry was nationalised. The new company started out well in a highly complex and profitable business, thanks mainly to the fact that many Venezuelan managers and technical staff had already learned to run most aspects of the industry long before the foreign oilmen packed their bags.

But PDVSA's managers had to learn one key function that had been controlled by the industry's foreign owners - long-term planning.

The company successfully reversed the declining trend in crude production potential it inherited and has made impressive gains in boosting reserves of all types of crude oil and natural gas.

Moreover, the industry has upgraded its refining capacity, diversified into petrochemicals and coal and consolidated diverse operations into a more efficient system, built around three vertically-integrated oil operating companies: Corpoven, Lagoven and Maraven.

Although PDVSA's responsibilities for petrochemicals and coal were decided at the political level, these two areas form logical parts of a modern energy company. In petrochemicals, PDVSA has achieved laudable results, turning a money-losing industry into a profitable and efficient producer. In coal, PDVSA's development of the Guasare coalfield in Zulia state is only beginning.

It also has diversified its client base and export package, concentrating on end-users rather than intermediaries. When PDVSA took over the nationalised oil industry on January 1, 1976, it had no clients of its own and had to rely on its links by the major oil companies (Exxon, Shell, Mobil, Gulf, which had just been replaced.) Today though the company has 120 reliable clients worldwide with whom it has established sound commercial ties.

Over the last year alone, PDVSA has greatly enhanced Venezuela's importance on the world oil scene. It has invested about $40m in four downstream oil ventures (refining and distribution) in the US and Europe, making Venezuela an important permanent player in these markets. Venezuela now not only has a long-term stake as a seller of oil in these markets, but also as a buyer, refiner and distributor. PDVSA's overseas investment programme, which began modestly in 1983 and advanced rapidly in 1986-87, has converted it from an integrated, nationally-based oil concern into a true multi-national oil company.

The state oil company also raised its estimate of proven crude oil reserves at the end of 1986 to 55,521m barrels, up from 29,326m barrels. It achieved this by adding new reserves of light and medium crude (there are even more new deposits under evaluation in the east and in Lake Maracaibo), and by conservatively incorporating a tiny portion of the Orinoco heavy oil belt, the largest accumulation of heavy petroleum on earth. Belt reserves are estimated at 1.2 trillion barrels.

This increase in reserves, carried out according to fully-accepted international petroleum norms, suddenly moved Venezuela from ninth to fourth place in terms of proven world crude reserves, and simultaneously raised Venezuela's importance within Opec. Venezuela has known the extent of its heavy oil deposits for several years but only recently developed economical ways to produce, process and transport commercial quantities from the Orinoco belt.

PDVSA's research arm (Intevep), working with BP, has developed a new petroleum product which has great potential in competing with coal and residual fuel oil as a cheap fuel. The product - called orimulsion - is an emulsion made up of heavy crude from the Orinoco belt, water and chemical additives which can be burned as a type of liquid coal to produce steam for the electric power industry and for other industrial uses.

Orimulsion is still at the testing stage, but PDVSA feels that it has great potential on the world market because of its low cost and good heat-generating capabilities. Venezuela currently is conducing commercial tests of orimulsion at the New Brunswick electric power plant in Canada. About 800,000 to 1m barrels of orimulsion will be used in tests at New Brunswick scheduled to be completed by the end of 1988.

As a result of these initiatives, PDVSA today is a well-managed profitable concern where political interference is usually kept to a minimum. As with other large oil companies, PDVSA's income took a beating last year because of the oil price crash. But the company performed well under pressure and took advantage of the situation in 1986 to expand its international operations, consolidate domestic activities and generally increase efficiency.

The nation's politicians have allowed PDVSA to earn continually good profits and invest in projects aimed at ensuring the oil industry's future strength. As a result, the company has been able to continue paying taxes year after year that make up a major share of the central government's income. PDVSA also makes an effort to develop domestic sources of high-quality goods and services used by the industry so that its huge annual budget will more directly benefit growth of the home economy.

PDVSA oversees eleven wholly-owned subsidiaries, a spate of joint ventures here and abroad and other operations.

Employment at the national oil company has increased from 23,670 in 1976 to 44,670 at the end of last year. This should not be interpreted as feather bedding, however, even though some customers and suppliers complain of excessive bureaucracy within the organisation.

As the industry has taken on new responsibilities - petrochemicals, coal, new exploration work, international marketing - its personnel needs also have grown. PDVSA thus far has avoided the vices of state oil companies like Mexico's Pemex, where the company is deliberately used by the government to create large numbers of jobs.

In terms of political lobbying and protecting itself against excessive political interference, some observers believe PDVSA is still quite weak. Petroleos is a generally efficient state enterprise in a country where most government agencies are notoriously inept. Despite the fact that oil is Venezuela's economic lifeblood, most of the people are not well informed about the details of running a major oil company in national or international marketing, national terms.

PDVSA's executives have considerable contact with Venezuelan politicians, who eventually decide on the policies the state oil industry will follow. But some industry analysts feel that PDVSA needs to broaden and institutionalise its contacts with politicians at all levels of the ruling government party and the major opposition groups. In this way, it can better defend its actions and interests and may be able to avoid some damaging political clashes.

American oil companies have found that effective lobbying at home will never solve all their problems with government officials, legislators and regulators, but good communications clearly help to avoid misunderstandings and make their positions better understood.

One problem affecting the company in recent years has been the central government's periodic need for additional money. The executive usually tells PDVSA to use a large chunk of its cash reserves to buy government bonds. When this technique is used to excess, and the government is slow to repay the oil company, PDVSA feels a liquidity crunch in spite of its normally excellent cash flow.

Earlier this year a Caracas newspaper, El Diario de Caracas, consistently hammered away at the Government for borrowing too much money from PDVSA and forcing the company into liquidity problems. The Energy Minister, though, staunchly denied the allegation, even though companies supplying goods and services to the industry complained that payments had dried up.

PDVSA in the past has been slow to make major decisions - such as moving ahead with offshore investments, even after the issue had been thoroughly analysed. This usually was not due to a lack of foresight by company executives, but to the reluctance of political leaders to approve policy moves. Some of these problems have been resolved.

In spite of difficult conditions on the world's oil market last year, PDVSA performed well. Profits in 1986 were $1.19bn on total income of $9.3 bn. Of course, these results were off sharply from 1985, when profits were $1.98bn and income $14.8bn.

For the first half of 1987, PDVSA's net profits were $827.7m on income of $5.53bn. Production during this period averaged 1.49m b/d of crude oil, 162,000 b/d of condensates and 93,000 b/d of natural gas liquids.

Exports during this six-month period averaged 1.47m b/d, of which 982,000 b/d were crude (some of which was refined in plants where PDVSA is a partner overseas) and 488,000 b/d of refined products. The average export price for Venezuelan petroleum this year has been $16.24 per barrel, up from $13.90 per barrel in 1986. A barrel of Venezuela crude costs about $3on the average to produce.

Domestic refineries turned out an average of 857,000 b/d from January through June, not including over 160,000 b/d processed at the former Shell refinery in Curacao now being leased by PDVSA.

PDVSA subsidiaries drilled 11 exploratory wells in the first half of this year, with some wells producing over 5,000 b/d of light and medium crudes. Exploration work in recent years has identified large new deposits of light and medium crude in eastern Venezuela (Furrial and Musipan), the western state of Apure and Lake Maracaibo.

Investments for oil, petrochemical and coal during the first six months of this year totalled $85.7m. Out of PDVSA's 1987 investment budget of $2.26bn, $1.4bn is going to projects aimed at maintaining production potential, $213m to exploration, $279m to upgrading the refinery system, $228m to improvements in the domestic distribution system (oil and gas pipelines, storage and distribution centres, $177m to petrochemicals and $31m to investments in joint ventures overseas.

Joseph Mann

The debt crisis and changing fortunes in the oil industry are taking their toll in Maracaibo, as **Robert Graham** explains

Strongly affected by recession

WHEN THE SPANISH Conquistadores first came to Lake Maracaibo at the end of the 15th century, they thought they had come across a tropical version of Venice. They found the native indians living along the lake shore and surrounding lagoons in houses on stilts. This reminder of Venice led the new country to be called Venezuela.

Today there are still a few picturesque communities living in this way to the north of Maracaibo. But the city itself is a sprawling metropolis scarcely recognisable even from photographs of the late 1950s. Gone is the old single-storey waterfront and the rows of pelicans perched on the guttering.

Scarcely a building is left from the 1920s. Instead, the skyline is dotted with apartment blocks and office buildings rising above the endless plain which surrounds Lake Maracaibo. Dominating everything is the six-kilometre long bridge spanning the shallow channel that connects both sides at its narrowest point.

However, this rapid metamorphosis is incomplete. The country's debt crisis and the changing fortunes of the oil industry, long based in and around the shores of Lake Maracaibo, have taken their toll.

A high percentage of the apartment blocks are unfilled or only half full; government construction projects have been cut back or halted; and two hotels are empty shells, one on a prime waterfront site. The city's large airport installations are little used and the number of direct international flights linking this, Venezuela's second largest city, have been slashed.

Maracaibo, capital of the western state of Zulia bordering Colombia and traditional centre of the oil industry, is the region most affected by recession and spending cuts. With a population of some 1.5m in the city and its surrounds, unemployment is reckoned to be more than 12 per cent, 3 per cent more than in Caracas. Matters would have been worse if the local economy had not begun to diversify in the late 1960s.

"You mustn't think the economy here is just dependent upon oil," says Mr Augusto Lopez Bracho, vice-president of Banco de Maracaibo, the region's leading bank founded 105 years ago. "The economy has diversified, especially into agriculture and agribusiness," he adds, pointing out that over a quarter of the bank's loan portfolio is with this sector.

The region is Venezuela's largest milk producer. It is also important for meat products and is rapidly expanding into fruits, including grapes for the table and wine-making. Also, dollar-earning shrimp farming has begun round the shores of the lake.

On the industrial side, interest centres on the expansion of petrochemicals. Although the state oil company, PVDSA, has traditionally had responsibility for petrochemicals, a group of local businessmen combined in the early 1970s to form the Grupo Zuliano. Associating themselves with international partners like Dow and Mitsui, Grupo Zuliano has pioneered Venezuela's private sector presence in petrochemicals, particularly polyethylene.

However, petrochemicals are capital intensive and Zuliano employs no more than 1,000 people. Thus even if there is development of nearby gas reserves, which seems likely, the main impact of this sector on the region will be a ripple effect of employment and income.

People in Maracaibo have a certain disdain for the capital. A common refrain is: "Here there are no bright lights like Caracas. If you get used to the heat you'll never leave."

Maracaibo is blindingly hot - the old houses have specially high roofs to let the air circulate. To attract skilled people to work here, they are paid a premium over Caracas salaries. But living is cheaper with wages 30 per cent lower and property prices three times lower.

As Maracaibo businessmen weigh the prospects for the future, a note of cynicism creeps in about the Government's lack of interest. "Maracaibo doesn't get much in return for all the wealth it provides Caracas," says Mr Fergus Walshe, an Irishman who settled here 25 years ago and is now chief executive of Grupo Zuliano and a naturalised Venezuelan.

He is aware the government is focussing its attention on Guyana in the east of the country (and as a sign of the times Grupo Zuliano is considering a petrochemicals venture there) but he nevertheless believes in the quiet progress and continued diversification of Zulia - coal "utilising the mechanical skills of the service industry that exists round the oil business" and perhaps tourism, exploiting the Caribbean coast.

Today the most unusual feature of the region is the Colombian connection. There are between 300,000 and 400,000 Colombians living here, perhaps more since most of them are without proper documents. They work in construction, supply all domestic help and account for over 90 per cent of all agricultural labour. Without Colombian labour agriculture would be impossible.

The other side to the Colombian connection is the extent of illicit cross-border trade. Heavy Venezuelan subsidies for foodstuffs like meat, milk, dairy products and chickens, plus the exceptionally cheap cost of petrol encourage a trade with Colombia worth at least $30m a month. Venezuelans meanwhile purchase clothing, electrical goods, perfumes and household appliances from Colombia.

Officials on both sides of the border tolerate this trade because it is mutually convenient, and it certainly provides a cushion for tougher times in Maracaibo.

Robert Graham

Buffalo on the range. Three years on, the country's revived agriculture system is showing signs of strain.

Agriculture policy

Adding the cost of the miracle

OF ALL THE policies President Jaime Lusinchi has pursued since he took office in 1984, none has produced such dramatic results as his bid to rescue Venezuelan agriculture.

Officials speak proudly of their agricultural miracle, and even sceptics acknowledge a remarkable recovery in the sector. But three years on, the policy is showing signs of strain, and doubts are surfacing over how long the miracle can last.

When the present government came to power, agriculture was a disaster. The acreage under cultivation had been falling steadily for years, investment in agriculture had plummeted by 65 per cent since 1977, and the impact on food production was clear. In 1983, it was 16 per cent down from 1977, and Venezuela was importing 60 per cent of its food.

The food chain, from field to table, was also in a shambles. The Government-run Food Marketing Commission (CMA), which bought all agricultural produce and sold it to the processing industry, had gone bankrupt, leaving enormous unpaid debts to farmers.

President Lusinchi, envisaging a reactivation of agriculture as a spur to broader economic growth, even though the sector accounts for only seven per cent of GDP, made investment in food production one of his top priorities. The goal: to eliminate as many food imports as possible.

The Government abolished the CMA, and paid off its debts, increased producer prices dramatically - doubling them in some cases - introduced tough restrictions on food imports, obliged commercial banks to dedicate 22.5 per cent of their loan portfolios to agriculture, refinanced farm debts and lowered the interest rates on agricultural loans, and exempted farmers from income tax.

The Agriculture Ministry also set about expanding the country's crop storage facilities, and subsidised the price of fertiliser by 50 per cent.

These measures made farming a highly attractive business again. "You can be a terrible farmer, and still make money," says one foreign agricultural expert.

The government drive was extraordinarily successful in boosting production. The agricultural sector grew by 3.1 per cent in 1984, by six per cent in 1985, and this year it is expected to expand a further seven per cent, well ahead of overall economic growth.

The acreage in use rose by 32 per cent from 1984 to 1986, employment in the sector increased by 19 per cent over the same period, and harvests of crops such as maize, sorghum and cotton more than doubled. Production targets for some field crops that the Government had fixed for the year 2000 were achieved in three years, and in 1987, Venezuela will import only 35 per cent of its food.

The key to this success, however, has been careful maintenance of remunerative producer prices, and this is beginning to cause problems.

The pace of the agricultural boom created a sudden demand for machinery, chemicals and other agricultural inputs that could not be met. The result was shortages of such goods and services, and consequent price rises.

Sensitive to the farmers' difficulties, the Government raised farm prices to match. But when consumer prices began to rise too fast, the authorities' only option was to subsidise the cost of food in the shops.

That cycle was sustainable for a while. But when world oil prices slumped early last year, cutting sharply into Venezuela's revenues, the Government felt the pinch badly.

With the money for consumer subsidies harder to find, the Government has sought to squeeze food processors' subsidies, agribusiness officials complain.

At the same time, Venezuela's food prices are below world prices, and smuggling has become such a problem that Venezuela temporarily closed its border with Colombia last month.

As much as 5-10 per cent of the country's food production, mainly beef, is smuggled across Venezuela's poorly-guarded frontiers, officials estimate. Tuna, a highly popular staple in the Venezuelan diet, is now scarcely to be found in the shops because fishermen sell most of their catch at sea, before returning to port.

Though still below world prices, food is becoming steadily more expensive for Venezuelans. Food inflation is running well ahead of the general 30 per cent inflation rate, and a recent academic study found that the average family now spends 55 per cent of its disposable income on food. Ten years ago, food accounted for only 40 per cent of a family budget.

Where food policy goes from here is uncertain. All the candidates running for the 1988 presidential elections have promised to keep the "agricultural miracle" going, but as one analyst puts it: "The question is how long a country with cashflow problems can maintain one of the most expensive agricultural policies in the world."

One solution, suggests an independent agricultural economist, Juan Luis Hernandez, would be to soften the Government's single-minded drive to eliminate food imports.

"There is no point in reducing imports just for the sake of it," he argues. "We should use subsidies more selectively, to encourage those crops where Venezuela has a comparative advantage."

Other foodstuffs that are cheaper on the world market because of subsidies in the countries where they are grown, should be imported, Mr Hernandez believes.

There are signs that the Government may be relaxing its iron hostility to imports, finding it does not have enough money to keep paying the $1bn in direct and indirect subsidies that its policy is expected to cost this year.

And with elections only 15 months away, consumer food prices are a highly-sensitive issue. The ruling Accion Democratica Party may well decide that ensuring re-election is more urgent than the Government's agricultural policy.

Peter Ford

Guayana province

Powerhouse of nation

THE PEOPLE OF Guayana province like to say that they do all the work so that the rest of Venezuela can do nothing and still get by.

And it is certainly true that this vast and mostly unpopulated region, stretching south of the Orinoco river, has become the powerhouse of Venezuela's drive to industrialise, and to lay a surer base for development than its oil wealth.

Cuidad Guayana, founded 20 years ago at the confluence of the Orinoco and Caroni rivers, constitutes the heart of the country's heavy industry. Beyond the town's straggling residential outskirts lie thousands of square miles of bush and jungle growing over an Aladdin's Cave of mineral reserves. So far, that wealth has barely been tapped.

Since the early 1960s, Guayana's development has been in the hands of the Corporacion Venezolana de Guayana (CVG), an autonomous state-owned entity that oversees the operations of 18 wholly-owned and mixed-capital companies in the region.

Mining iron ore, bauxite and gold, producing steel, aluminium, electricity and cement, the CVG is Venezuela's second-largest industrial group, after the nationalized oil sector. The corporation has had a chequered history, but President Jaime Lusinchi's plans for Guayana, including a $5.17bn investment programme announced earlier this year, promise brighter days ahead.

The CVG started life in 1960, and took its initial steps a few years later when the country's first major hydro-electric station came into operation, powering a steel mill to start with and then an aluminium plant.

Cuidad Guayana was chosen as the site for the country's most ambitious industrial project for a number of reasons. The Caroni river offered massive hydro potential, the Orinoco gave access to ships of up to 35,000 tons, and all the resources the new plants could use were to be found within a 500km radius.

Before the CVG launched its operations, the area was home to a moderate-sized US iron ore mining company, some farmers and fishermen. Today, Cuidad Guayana's network of four-lane motorways cuts swathes through the bush from one clump of high rise flats to another. They house nearly 500,000 people.

The CVG really took off in the 1970s, when President Carlos Andres Perez of the Accion Democratica party used Venezuela's oil windfall to fuel development in Guayana.

The steel company, Sidor, installed one of the world's most modern plants to boost its capacity from 1.25m tonnes a year to 4.8m. A second aluminium smelter, Venalum, was built with the help of Japanese investment, an alumina plant was started, and the construction of a new dam got under way at Guri, 100km south west of Cuidad Guayana.

However, the grandiose dream went sour when Luis Herrera Campins won the 1978 presidential elections for Copei. Uncommitted to his predecessor's projects, he downgraded the CVG's status, making it subservient to the Venezuelan Investment Fund (VIF) and other priorities.

Poor follow up and maintenance suggested that too much had been done too soon. Sidor's operating profits of 164m bolivars in 1978, for example, shrank to losses of over one billion bolivars in 1981.

Under the Lusinchi administration, CVG's fortunes have revived. Leopoldo Sucre Figarella, known for his dynamism, was made president of the corporation, and given a seat in the cabinet, and the government has embarked on a new series of expansion projects.

The aim, say economic observers here, is to commit so much money to future expansion now that the next government, no matter who is running it, will not be able to back off those plans.

Sidor is the jewel in the CGV's crown, employing 17,000 workers in a wholly integrated steel plant making over 1,000 different products. After three disastrous years of losses from 1979 to 1981, the company has pulled itself back into operating profit again through what corporate planning chief Maria Elena Posada calls a comprehensive programme of management reforms.

Sidor expects net profits this year of about 800m bolivars, and an even higher figure next year, by which time the government should have kept its promise to recapitalise $604m of the company's $1.5bn debt through a share issue, thus cutting the debt repayment burden sharply.

Meanwhile, Sidor is investing $443.2m in a number of projects, including a new seamless steel pipe plant that is due to meet the country's demand in full.

Venalum too is expanding, installing a fifth aluminium reduction line and aiming to raise its installed capacity from 300,000 tonnes per year to 455,000 tpy by 1989.

This would make it the biggest aluminium smelter in the world, taking advantage of plentiful and cheap electricity - a major factor in aluminium costs - cheap labour, and 200m tonnes of proven high grade bauxite reserves in the region.

Venezuela's primary aluminium plants have the lowest operating costs in the world, officials like to point out. At 38 US cents per lb, those costs are 8 cents per lb cheaper than in neighbouring Brazil, and 30 per cent cheaper than in the United States.

Alcasa, Guayana's other aluminium company, is also planning longer term expansions, and the government hopes to have 2m tonnes smelting capacity by the end of the century.

None of this would be possible were it not for the almost limitless supply of cheap electricity that the CVG's hydro stations produce.

Last year, the second stage of the Guri dam, on the Caroni river, came onstream. With the largest installed capacity in the world (though Itaipu will be bigger when it is fully operational), Guri can produce 10m Kwh.

Not content with this, and foreseeing rapidly rising demand, the CVG's power company, Edelca, is planning a $1.76bn investment in new transmission lines and two new dams downstream of Guri on the Caroni.

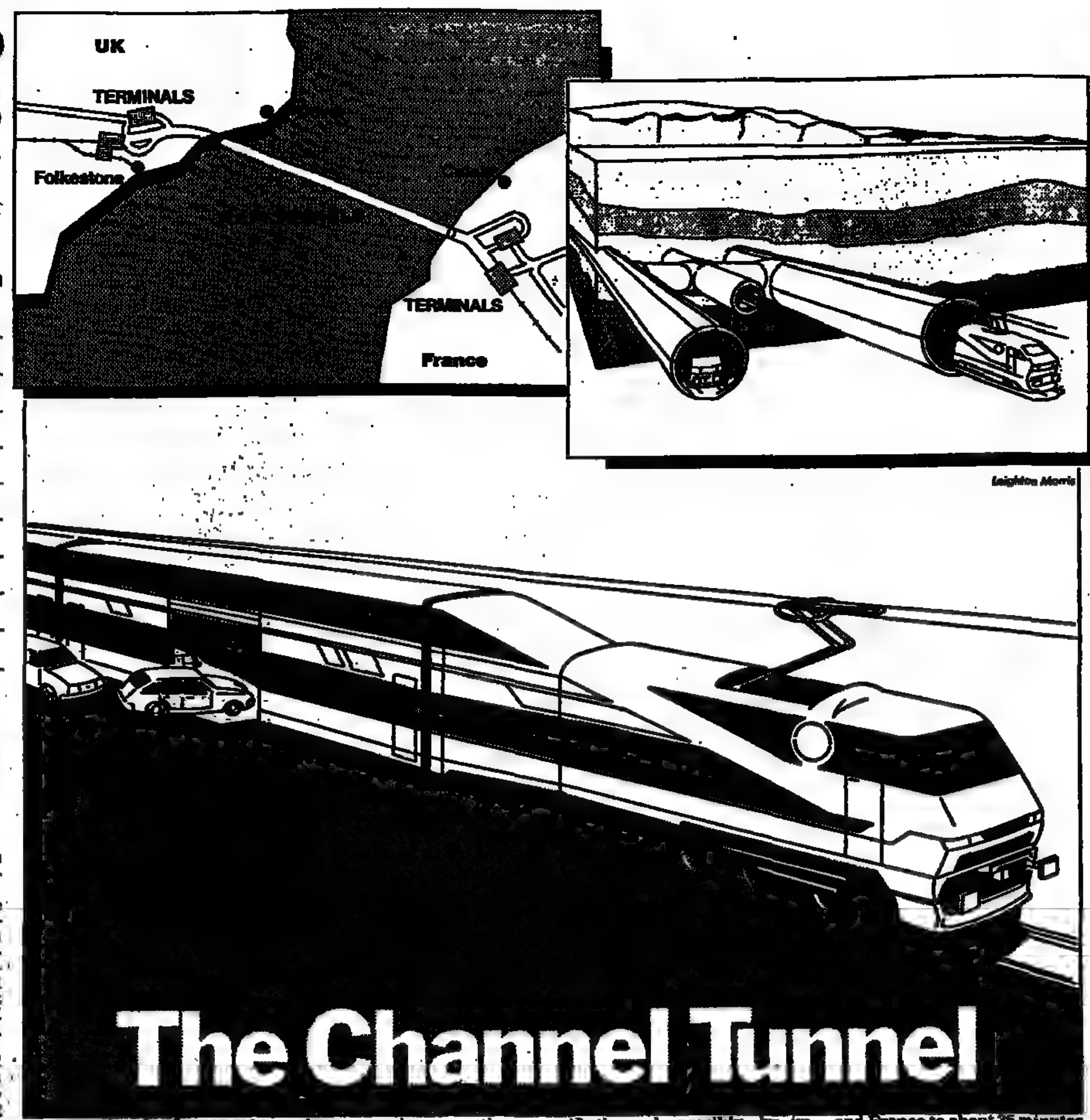
CVG officials talk excitedly of Guayana's prospects in fields beyond the steel, aluminium and electricity that have already proved so bountiful. The prospects for gold look good and geologists believe other valuable minerals such as tungsten and manganese might lie undiscovered beneath the jungle.

But to realise the region's full potential, the authorities will need to take a more considered and consistent approach than they have shown in past cycles of helter-skelter growth and demoralising doldrums.

Peter Ford

SECTION III

FINANCIAL TIMES SURVEY



Next month's equity offer marks the climax of fund-raising efforts for this huge international project. The economic impact on regions adjacent to the Tunnel in France and the UK, and the more widespread effects, are still being considered. **Andrew Taylor** reports

Last hurdle in sight

THE COUNTDOWN has begun to complete the financing for one of the world's most exciting engineering projects - the Channel Tunnel.

In less than two months' time, Eurotunnel, the Anglo-French group which proposes to build the 31-mile privately-funded rail tunnel, will launch a £750m international share offer.

It will be the first opportunity members of the public have had to invest in the scheme.

The issue, which is expected to take place on or about November 16, the date preferred by Eurotunnel, is crucial to the group's plans to raise up to £5bn in loans and standby credits.

Underwriting agreements reached in August with 50 international banks, about a third of them Japanese, will not be operable if the offer fails.

If the issue succeeds, digging on the service tunnel, the first of three inter-connecting tunnels which will cross the Channel up to 40 metres under the sea bed, will begin almost immediately. Preliminary work is already well under way.

More than £100m has been spent or committed on British works alone by Transmanche Link a consortium of five British and five French contractors which will build the tunnel.

In France, a 70-metre deep access shaft 50 metres wide, has already been completed at Sangatte, near Calais.

The optimism and confidence with which Eurotunnel is approaching the final part of its fund raising is in marked contrast with the gloom and despondency which surrounded the organisation just eight months ago, when Eurotunnel was racked by a series of British boardroom resignations.

At the end of February, Lord Pennock, under pressure from the Bank of England over Eurotunnel's problems in raising £206m in an international share placing the previous October, stood down as British joint chairman of the project.

It was, and remains, the lowest point in Eurotunnel's brief history, since it won the mandate to build the tunnel just over 20 months ago, in January 1986, from the British and French governments.

The improvement in the group's fortunes and its more favourable reception recently by City analysts, national newspapers and other opinion-formers - critical to the forthcoming issue - is due in part to the efforts of Mr Alastair Morton, chairman of Guinness Peat, who took over from Lord Pennock as British joint chairman and to Mr André Benard, his French counterpart and a former managing director of the Royal Dutch Shell group.

The group has been assisted by the conclusion of a series of important agreements with international bankers and railway users. The ratification of the Channel Tunnel Treaty in July has added to the feeling of momentum which the project has gained in recent months.

Even the recent row between Eurotunnel and contractors at Transmanche Link over alleged failures to meet contract obligations appears to have rebounded in Eurotunnel's favour. Most City analysts take the view that Eurotunnel's strong-arm approach to the contractors will impress investors concerned about the possibility of the scheme running over time or over budget.

Opponents of the scheme, such as the ferry companies, which had expected to make the tunnel's safety a centre piece of their campaign against the project, have instead found their own safety procedures under close scrutiny following the tragic sinking of the ferry Herald of Free Enterprise in Zeebrugge earlier this year.

Opponents are now pinning their hopes for deflecting the November share offer on undermining Eurotunnel's traffic projections and forecast returns to investors.

Returns promised to investors are likely to have been increased by higher traffic forecasts, expected to be produced shortly and, possibly, by improvements to tariff agreements reached earlier this year with British Rail and SNCF, the British and French state-owned railways.

Mr Morton's success in reopening negotiations with BR and SNCF, which will use up to half the tunnel's capacity, is seen by many as a turning point in Eurotunnel's fortunes, although the actual gains achieved by Eurotunnel have never been fully disclosed.

The Tunnel, which is due to open May 1993, will serve one of the world's busiest trade routes. Roll-on/roll-off rail shuttles loaded with cars, coaches and lorries, and travelling at speeds of up to 100 mph, will reduce the journey between Britain and France to about 35 minutes.

Main-line trains, operated by BR and SNCF, will plug into the nascent Continental high-speed train network, even if Britain is unlikely to match its European rivals by investing in high-speed track.

High-speed rail services proposed by the French government, which are expected to link with the Tunnel, should allow passengers to travel from London to Paris in three hours; and Brussels, headquarters of the European Community, in just 2hrs 45mins.

A new passenger terminal adjacent to Waterloo Station in London is planned by BR to cope with the extra traffic generated by the Tunnel. It proposes to run through-trains to the Continent from other British cities, such as Birmingham and Edinburgh.

Eurotunnel believes the time-savings achieved by using the Tunnel, and the proposed investment in high-speed track on the Continent, will enable the railways to capture traffic from short-haul air flights to the Continent - just as the French high-speed train, the TGV, has done on the Lyons to Paris route - as well as allowing the shuttles to take a large share of the business now handled by the sea ferries.

One-stop customs and immigration facilities will be provided to speed passengers on their way at shuttle terminals at either end of the Tunnel, and also at Waterloo and Ashford Station in Kent.

The group estimates that about 48m journeys were made by sea and air between Britain and Europe in 1985 by people it would expect to come within its customer catchment area.

Japanese banks in particular have been attracted to the project.

Fifteen Japanese banks have agreed to underwrite loans and standby credits worth £1.44bn, representing 29 per cent of the £5bn package negotiated by the group in August.

The final £750m that Eurotunnel is seeking to raise in November is modest by comparison with recent privatisation issues in Britain and France.

This time Britain and France will be expected each to raise about £300m of the Eurotunnel issue - about 4 per cent of what British Petroleum will be seeking to raise next month, says Eurotunnel.

It plans to make the Channel Tunnel issue as attractive as possible to private investors. Concessions on Channel Tunnel fares may be offered to encourage small shareholders - similar to a scheme offered some years ago by European Ferries, the cross-Channel ferry operator.

The project, during construction, will have a substantial impact on employment in the construction industry. Transmanche Link estimates that 30 jobs will be created or protected for every £1m spent in Britain.

It says more than 50,000 jobs could be created or protected in Britain if separate orders from British Rail for equipment and construction are included as well as indirect employment gains from extra police, health workers, teachers, employment officers and others who will be needed in Kent to back up those who will build and supply the Tunnel.

The first concrete liners for the British end of the Tunnel are already being produced at a purpose-built factory at the Isle of Grain in Kent. The factory is on a direct rail link with the of the tunnel workings 40 miles away at Shakespeare Cliff.

Tunnel liners in France are due to go into production at the beginning of next year when the French drive is planned to start.

The British will start their drive at the site of the last Channel Tunnel scheme abandoned by the British government in 1974. The existing tunnel stretches about a quarter of a mile offshore. A construction chamber has now been completed at the end of the old works and the first tunnel-boring machine is being assembled in the chamber.

In addition to the two rail tunnels and central service tunnel, Transmanche Link is also contracted to provide the two rail shuttle terminals at either end which will be operated by Eurotunnel. It will also build an inland clearance depot at Ashford in Kent because physical contraints at the British terminal site will not allow room for customs clearance of road freight.

Mott Hay & Anderson are responsible for the design of the British section of the tunnelling works, ventilation systems, the railway track and connecting roads to the British terminal. Design of the works in the French tunnel sector has been sub-contracted to Bureau Etudes Tunnel (BETU), a design team formed by the French members of Transmanche.

Now, as the venture faces its most important test, to complete the complex financing arrangements, there is growing confidence that after all the schemes and dreams for nearly 200 years of crossing the Channel with a fixed link, Eurotunnel will succeed. This time, many believe, it will happen.

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Funding

Gearing up for Equity Three

WHEN 50 INTERNATIONAL banks agreed to underwrite a £5bn loan to Eurotunnel at the end of August, the sighs of relief at the project's headquarters were almost audible. At last, the single biggest piece of finance was secured; nothing, it seemed, could stop the Channel Tunnel now.

But that did not quite mark the end of the funding story. The most exciting - and possibly the most difficult - chapter is yet to come, when the project's sponsors come to the world's stock markets in November with an equity offering the like of which the public has never seen before.

One of the many peculiarities of Eurotunnel is that it is among the biggest infrastructure projects of the century, yet it is being built without government money, or even government guarantees, on either side of the Channel.

That is unusual for a project of such economic and political significance. It also means, of course, that it has to be sold to investors on the basis that it will deliver commercial returns - not an easy matter when it has yet even to be built, and when those returns can be based only on forecasts stretching far into the next century.

The cost of building the tunnel is estimated to be £4.7bn after interest payments and inflation. However, to allow for cost over-runs and delays, the total amount being raised is £6bn - some £5bn of it in loans and the remaining £1bn in equity.

The first stage of the fund-raising exercise came in summer last year, when the 15 founder shareholders - 10 construction companies and five banks - chipped in £46m in exchange for equity stakes to get the project off the ground.

Clearly, that sum was almost insignificant in proportion to the total required. Much more important was the so-called Equity Two offering in October last year, when Eurotunnel sought £206m through a private placing of shares with international investors. This was the first true test of outsiders' faith in the project.

It was almost a disaster. The idea was that institutional investors in Britain and France should put up a total of £70m from each country, and that a further £20m each would come from the US, Japan, and the rest of the world.

To Britain's intense embarrassment, however, the City showed considerable reluctance to take part in the project. Many institutions considered that the returns were too long term, were not particularly exciting, and did not outweigh the inherent risks. It was only after some considerable arm-twisting by the Bank of England that the institutions eventually came up with the money, amid loud accusations of short-termism from the City's critics.

With Equity Two at last in place, the arrangements for the £5bn loan financing could now be finalised. This was a complex task involving no fewer than 50 underwriting banks, so it was perhaps not surprising that full agreement on the details took till the end of August this year.

The loans are repayable over 18 years. They will carry an interest rate of 1.25 per cent above the London inter-bank offered rate during the period of construction and 1 per cent above Libor after the tunnel's planned opening date in May 1993.

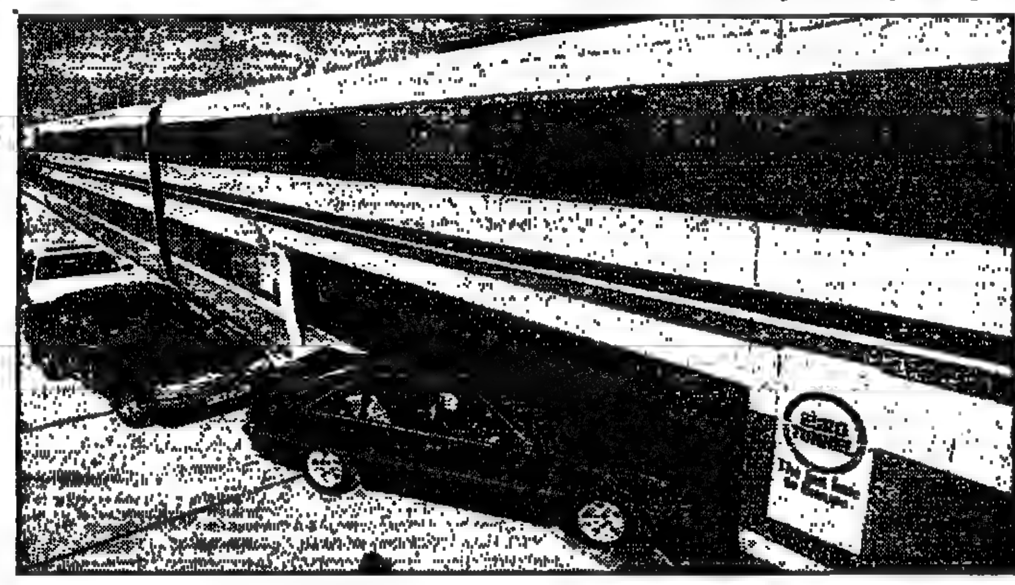
These rates are slightly higher than those usually available on construction projects, reflecting the start-up nature of the Eurotunnel venture. However, Eurotunnel's British joint chairman, Mr Alastair Morton,


Alastair Morton: optimistic about refinancing

is optimistic that it will be possible to refinance the loans within two years of the start of Eurotunnel's operations, by which time the risk element will have been overcome.

If the underwriting of the loans proved less problematic than the Equity Two offering, it was not just because the loan terms were attractive. Bankers accustomed to problems over Third World debts felt relatively comfortable with a First World project.

And since the loans are being syndicated by the underwriters among some 150 to 250 participating banks, no single bank will be particularly heavily exposed to Eurotunnel - with the exception of the European Investment Bank, the project investment bank of the European Community, which is to provide no less than £1bn of the loans.


Eurotunnel shuttle model: 'fast lane to Europe'

But if the biggest chunk of Eurotunnel's funding is now in place, there is still a catch: the provision of the £5bn-worth of loans is conditional upon the successful completion of Equity Three, the final stage of the funding exercise, in November.

No one would pretend that Equity Three is going to be easy. Quite apart from the fact the sponsors have to persuade investors to buy shares in something which does not yet exist, the climate for the flotation has been soured by the less-than-enthusiastic response to Equity Two - and Equity Three, at about £750m, is going to be more than three times as big.

Yet there are grounds for cautious optimism. The traffic forecasts on which the Equity Two prospectus was based have now become more optimistic, so Equity Three may promise more attractive returns. Further, an international roadshow recently staged to assist syndication of the loans has stimulated interest in the project, especially overseas.

In any case, the sum to be raised is not spectacularly large. At least £150m-worth of the shares will be offered overseas in Japan, the US and the rest of Europe, and the remainder will be offered simultaneously on both sides of the Channel: so the amount being raised in London is unlikely to exceed £300m - a mere fraction of the size of recent privatisation issues.

This means that even if the City were to be as recalcitrant in November as it was for Equity Two, it should still be possible to find sufficient private hands for the shares to see the issue safely away.

Indeed, small investors are likely to find themselves prime targets for the marketing exercise.

The sponsors are already talking about incentives such as cut-price Eurotunnel tickets for shareholders, and the hope is that people will get excited about the offer for more than purely their own financial benefit - for example, with the idea of buying shares as long-term investments for children and grandchildren.

Richard Tomkins


Surveying at the starting point of the tunnel at Holywell, behind Folkestone

Funding list

Further loan irony

AFTER THE farrago of Equity Two, when British institutional investors proved loath to come up with their share of Eurotunnel's £206m-worth of equity financing, a further irony was in store when it came to underwriting the £5bn-worth of loan finance for the Anglo-French project.

Of the 50 participating banks, the largest single contingent came not from Britain or France, but from Japan. Some 29 per cent of the finance was underwritten by Japanese banks, with the British and French managing less than 25 per cent between them. Most of the rest came from other European banks, with Arab and US banks taking about 5 per cent each.

The underwriting agreement provides for the five arranging banks - three French and two British - to underwrite the largest sums. Banque Indosuez, Banque Nationale de Paris, Credit Lyonnais, Midland Bank and National Westminster Bank will underwrite £170m each.

Eighteen banks have agreed to underwrite £123m. These are Amsterdam-Rotterdam Bank, Arab Banking Corporation, Banca Commerciale Italiana, Bank of Tokyo, Barclays Bank, Bayerische Vereinsbank, Caisse Nationale de Credit Agricole, Citibank, Commerzbank, Deutsche Bank, Dresdner Bank, Industrial Bank of Japan, Lloyds Bank, Long-Term Credit Bank of Japan, Sanwa Bank, Security Pacific National Bank, Tokai Bank and Union Bank of Switzerland.

Seven banks have agreed to underwrite £98m: Credit Suisse, Dai-Ichi Kangyo Bank, Daiwa Bank, Fuji Bank, Generale Bank, Mitsubishi Bank and Mitsui Bank.

Nine banks have agreed to underwrite £64m: Banque Arabe et Internationale d'Investissement, Den norske Creditbank, Hessische Landesbank Girozentrale, Kredietbank International Group, Mitsubishi Trust and Banking Corporation, National Bank of Kuwait, Saitama Bank, Taiyo Kobe Bank and Westdeutsche Landesbank Girozentrale.

Eight banks have agreed to underwrite £60m: Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Credit National, Nederlandsche Middenstandsbank, Nippon Credit Bank, Standard Chartered Bank, Sumitomo Bank and Yasuda Trust and Banking.

Banque Internationale a Luxembourg has agreed to underwrite £39m, Banque Internationale pour l'Afrique Occidentale £35m, and AL UBAF Banking Group £30m.

Richard Tomkins

Construction

Careful checks on schedule and budget

THE ABILITY of Channel Tunnel contractors to deliver the project on time and within budget is crucial to the success of the scheme.

Costly delays will reduce the Tunnel's ability to generate profits and will eat into the returns promised to investors. Potential subscribers to November's £750m international equity offer will want to be convinced that the Eurotunnel consortium, if things become difficult, has sufficient determination and authority to keep its contractors on target.

Eurotunnel, therefore, was not as embarrassed as might have been expected by last month's disclosure that it had sent a stiffly-worded letter to the contractors criticising them for delays, poor financial controls and failure to comply with contract obligations.

It complained that proper cost procedures had not been introduced and that orders were being placed "without any reference to any budget."

The timing of the disclosures may be unfortunate coming so close to the November issue but Eurotunnel, pragmatically, has taken the view that the row could work to its advantage if it dispels any lingering doubts about the group's ability to maintain tight control of the project.

One of the concerns has been the influence which might be wielded by the five British and five French contractors which will build the tunnel and which are also founder shareholders of Eurotunnel.

The letter sent by Mr Pierre Durand-Rival, Eurotunnel's French managing director, to Mr Andrew McDowall, chairman of Transmanche Link (TML), the construction consortium, should have left no doubt that Eurotunnel management is prepared to get tough with the companies which helped found the project if it believes this is necessary.

The group's attempts to get the contractors to produce financial information, introduce proper cost procedures and generally tie them down as tightly as possible to detailed budgets will be regarded as encouraging by some bankers and potential investors.

However, Mr Durand-Rival's letter raises two important questions. First, is there a serious problem at Transmanche or is Eurotunnel simply trying to establish its authority over those companies which helped found the project? Eurotunnel will also be keen to resolve any potential problems early, rather than face claims from the contractors when the job is finished.

Second, investors will need to be reassured that there are adequate safeguards in the construction contract and engineering timetable to ensure that the work is done on time and within budget.

Transmanche is angry at the criticisms. It says that 90 per cent of the programme agreed with Eurotunnel has been achieved. Drilling of the first UK tunnel should begin ahead of the agreed starting date on December 1.

There have been arguments over the speed at which Eurotunnel has been prepared to release money for preliminary works. Contractors have been irritated at the way in which Eurotunnel has sought to keep a tight grip on the construction finances which, they say, could delay progress.

The construction agreement has been divided into three main contracts. These include significant performance-based incentives and penalties, which will provide the contractors with substantial bonuses if they finish ahead of schedule and under budget. The three elements are:

● The tunnels: The two rail tunnels and one service tunnel will be built under a target cost contract. This means that Transmanche will be paid a previously-agreed sum for the cost of the works, plus a fee of 12.36 per cent. The cost of the tunnels plus fee is expected to be about £1.3bn at January 1987 prices.

If Transmanche can complete the tunnels for less than the agreed cost, it will receive 50 per cent of the savings. If it fails to meet its target the contractors will be liable to meet 30 per cent of the excess cost.

● The terminals: The British and French terminals will be built under a lump sum contract worth just over £1bn. This is a standard civil engineering contract under which the contractor keeps any profit achieved by his good performance and pays for any cost overrun out of his own pocket.

● Procurement items: Transmanche has agreed to arrange the purchase of locomotives and shuttle rolling stock and other "non-tunnel" equipment. The cost of this contract including fees paid to Transmanche is expected to be about £250m.

The size of the contract, the fact that the shuttle rolling stock will not be required for five years and that the technology which will be used is already proven, should restrict the scope for any serious damage being inflicted on project as a result of cost or time overrun.

The contractors, in addition to these incentives and safeguards, will be required to pay damages of more than £300,000 for every day's delay up to six months. After that, the daily rate rises by 50 per cent up to a maximum of £150m for a 12-month delay.

A French-style Maitre d'Oeuvre has been appointed by Eurotunnel to liaise with the contractors and supervise the construction contract.

The Maitre d'Oeuvre, which will play a key role in the project and will add a further layer of safeguard for Eurotunnel and its shareholders, is a joint venture between British consulting engineer W.S. Atkins and Societe d'Etudes Techniques et Economiques of France.

The construction programme itself contains a fair degree of flexibility and allows for a wide margin of error, according to Warburg Securities, lead broker to the forthcoming share issue.

For example, the 11 tunnel boring machines which will be used to bore the two main rail tunnels and service tunnel are capable of much higher driving rates than Eurotunnel requires to complete the work on time. The tunnels will be mostly driven through chalk marl, an excellent medium for tunnelling.

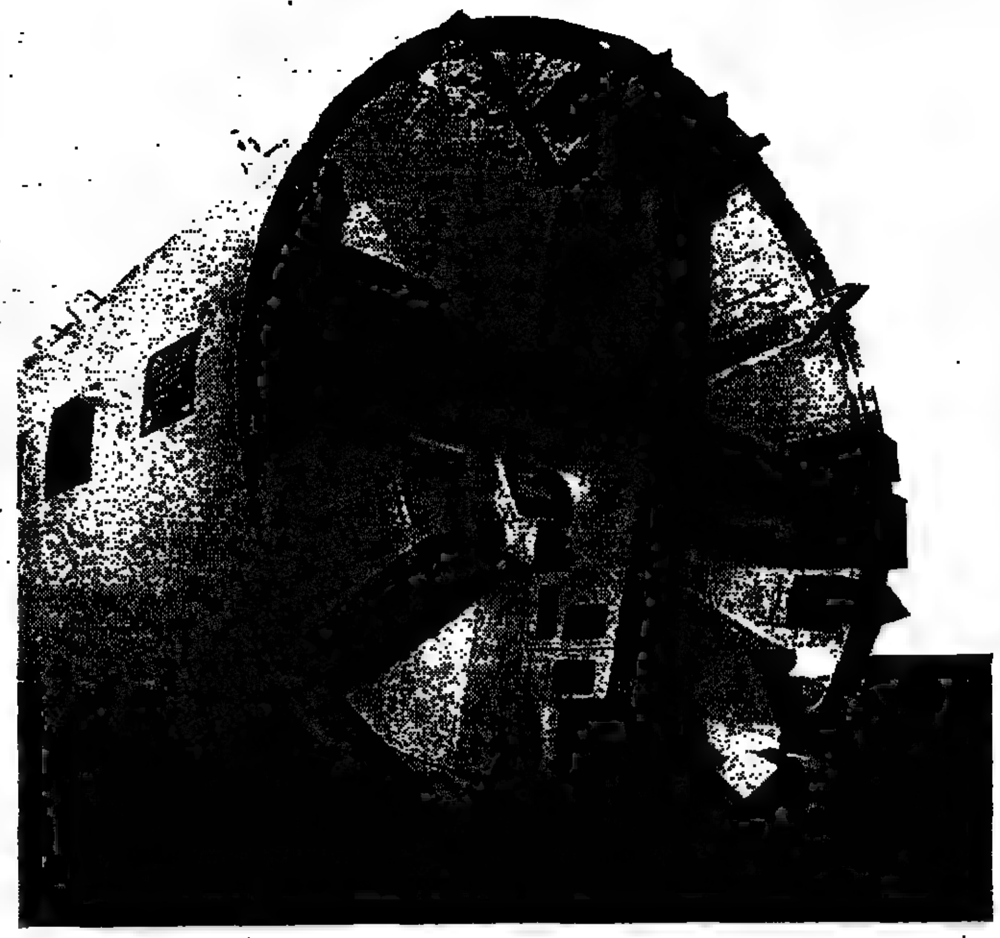
"We believe the timetable for the drive has been assessed on a conservative basis and there could be as much as six months' slack in the allowed time," Warburg says.

The most difficult stretch, it says, will be the first 2.5 miles of the French tunnel which will pass through upper chalk, much of it fissured. Developments in the tunnelling machines mean that although progress will be slower on this section, contractors should be able to resolve the problems.

Warburg argues that criticisms of British construction performance are dated. A study completed earlier this year by the UK's National Economic Development Office had shown that of 25 major projects completed in the UK since 1981, only one was significantly late. And that project, although five months late, had still been completed within budget.

It says that Channel Tunnel contractors using tried and tested technology, encouraged to meet deadlines by a strict system of incentives and penalties and working to a timetable which had allowed for a wide margin of error, should be able to complete the project to the required standard to time and on budget.

Andrew Taylor



First of two 650ft long boring machines being built by James Howden of Glasgow for the tunnel

Safety

Covering all risks

ATTACKS ON the safety of the Channel Tunnel, by ferry companies and other opponents of the tunnel, have been overshadowed by the tragic sinking of the ferry Herald of Free Enterprise at Zeebrugge.

Ferry companies which had expected to make the tunnel's safety the crux of their campaign to undermine this autumn's crucial £750m international share offer, have found their own safety record and procedures closely scrutinised instead.

Not surprisingly, criticism of the tunnel's safety arrangements has been subdued as ferry operators have had to get to grips with their own failures to secure the safety of passengers.

Eurotunnel, however, is the first to assert that the Zeebrugge calamity should not be allowed to stifle debate on such crucial matters as the security and safe operation of the tunnel.

It says that before the project can go ahead, design and safety arrangements must be approved by a special safety authority under the Inter-governmental Commission established by the British and French governments to oversee the project.

The potential for mistakes and accidents to occur clearly exists given the volume and complexity of traffic movements the tunnel will have to accommodate.

According to Warburg Securities, lead brokers to this autumn's share issue, potential users of the tunnel in 1985 made more than 48m trips in either direction across the Channel by sea or air. And more than 60m tonnes of freight was carried across the Channel in 1985.

To meet this demand, Eurotunnel plans to run shuttle trains carrying up to 240 cars and their passengers through the tunnel at speeds of up to 100mph (160 km/h). At peak times car-carrying shuttles will be leaving every 12 to 15 minutes.

Interspersed with the car shuttles will be road freight-carrying shuttles operated by Eurotunnel in addition to main-line passenger and freight trains operated by BR and SNCF, the British and French state-owned railways.

So what safety precautions does the consortium propose to ensure that it will not face a disaster of similar proportions to the ferry sinking at some time in the future?

Its opponents claim that fire poses the most serious risk to passengers. They say a conflagration would spread quickly as petrol-filled vehicles caught alight. Hundreds of people caught in the close confines of the tunnel could be killed by flames and highly noxious gases.

They say passengers should be segregated from their vehicles as is done on sea ferries. The effect of such a requirement would be to increase loading times and reduce the tunnel's advantage over the ferries of shorter crossing times.

Eurotunnel says the criticisms are misguided and opportunistic. They ignore the safety record of car-carrying trains in the Swiss Alps, which have been operating train ferries through Alpine tunnels for more than 30 years without a serious accident or death.

The Channel Tunnel, says the consortium, will have the benefit of the most up-to-date fire prevention and fire-fighting technology which will be incorporated into the design of the shuttle trains and the tunnel.

The prospect of trains colliding head-on, it says, should be ruled out by the construction of two separate rail tunnels side by side. Under normal conditions, trains will be permitted to travel in one direction only.

The two main tunnels will be connected by a smaller bore central service tunnel which could be used as an escape route in an emergency. It will also provide ventilation and a freshwater mains which could supply fire fighters.

The two rail tunnels will have a continuous walkway alongside the track and be linked by connecting passages to the central service tunnel, every 375 metres.

Sophisticated computer-controlled signalling, monitoring and override devices will be installed alongside the track and inside the shuttles as well as in "control towers" at either end of the tunnel to prevent trains from running into the back of each other.

The design of the shuttle wagons and the close confines of the tunnel should ensure that they continue to run upright even if trains become derailed, Eurotunnel says.

Should fire break out on a train - there will be safety officers and fire-fighting equipment on board - the aim would be to try to drive the train clear of the tunnel.

In the event of a serious blaze each wagon is capable of being automatically uncoupled from the train so that the fire can be isolated. Locomotives will be situated at either end of the shuttle to allow exit either in Britain or France.

Fire doors will be designed to prevent fire and noxious fumes spreading to other wagons and allow passengers time to escape. The Fire Research Station at Borehamwood, Herts is carrying out a series of stringent tests to ascertain the maximum temperatures fire doors might have to contend with.

Fire curtains, the consortium says, must be able to contain a fire and stop any fumes spreading to any other wagon for at least 30 minutes.

The tunnel will be between 17 metres and 40 metres below the sea bed. Once completed, only a major earthquake or a nuclear explosion could flood it, the consortium says.

Sensors and highly-sensitive surveillance equipment will be installed in passenger terminals at either end of the tunnel to combat the possibility of a terrorist attack. Eurotunnel denies that it will be a soft target for terrorists, who measure their success by the number of casualties they can inflict.

The tunnel, buried so deep below the sea bed, should be impossible to bring down by conventional explosives, even if these could be successfully smuggled on board a train.

A bomb inside a shuttle wagon would inflict damage in the immediate vicinity, but Eurotunnel believes the design of the fire curtains would limit the number of casualties and prevent any subsequent fire from getting out of control.

Eurotunnel asserts, but would not say so publicly, that a strategically-placed terrorist bomb on an aircraft or a cross-Channel sea ferry could cause much greater damage and loss of life than it would in the shuttle.

Equally it argues that electronic surveillance equipment, as good if not better than that used at ports or airports, will be used to detect animals that may be carrying rabies from entering the country - either inadvertently or, more likely, being smuggled into Britain by passengers.

It says that the safety record of roll-on roll-off train ferries using long-distance tunnels is far superior to that of any other kind of cross-Channel transport.

Moreover its emergency procedures will have been tested by the British and French government-appointed safety commission to ensure that they are adequate to cope even if the very worst happens.

Andrew Taylor

The view from France

Letdown fears subside

IN SHARP contrast to the political fracas the Channel Tunnel has caused in the UK, the issue has never provoked much political debate or hostility in France. From the beginning, the French have overwhelmingly supported the tunnel project and indeed have acted as a dynamo to push forward the project from the conceptual and drawing board stage.

President Mitterrand has campaigned actively from the start in favour of the tunnel, seeing in the project an essential component to help reinforce European unity. During the tunnel ratification ceremony in Paris, the French Socialist President quipped that at last the Continent would no longer be isolated. Support has also been the case with the Right-wing government of Mr Jacques Chirac. Not even the Communists have tried to turn the tunnel into a political issue.


President Mitterrand: active campaigner from the start

For France, as one of the project's promoters recently remarked, there is nothing "unnatural" in building a fixed link between Britain and France. Unlike Britain, France has always had "drive-through" borders with all its neighbouring countries - with the notable exception of the UK.

"There is nothing more natural for a Frenchman than to get into his car and drive to another country. For us the tunnel has never raised all the psychological barriers it seems to have done in the UK," says a French government official who has closely followed the project.

The French have always been worried that the project would again be torpedoed by British opposition to the link. This appears to have strengthened the determination of Paris to ensure that, this time round, every effort would be made to iron out differences with the British side to avoid any risk of a major controversy delaying the venture.

Apart from the political will to see the tunnel finally constructed, the French government has from the beginning seen the big economic advantages the fixed link is likely to provide for France. Again, unlike Britain, the tunnel's main impact will be on the depressed north of the country. The project has thus raised hopes of substantial numbers of new jobs in areas hit by the collapse of the coal and steel industries as well as the shipbuilding industry.

"There is a big difference in the areas directly flanking the tunnel on each side of the Channel. On the English side you have a wealthy part of the country, a sort of Cote d'Azur of Britain. On our side we have the depressed north," as one of the original French promoters of the scheme put it.

But beyond the immediate and longer-term impact of the tunnel on the north of the country, France also sees the project as offering the opportunity to develop an extensive new network of international rail communications linking Paris not only with London but also with Belgium, Holland and West Germany using French high-speed train technology.

France in recent years has taken a clear lead in this technology with its successful Train a Grande Vitesse (TGV), whose fast journey times compete with internal airline flights between Paris and Lyon or Paris-Marseilles.

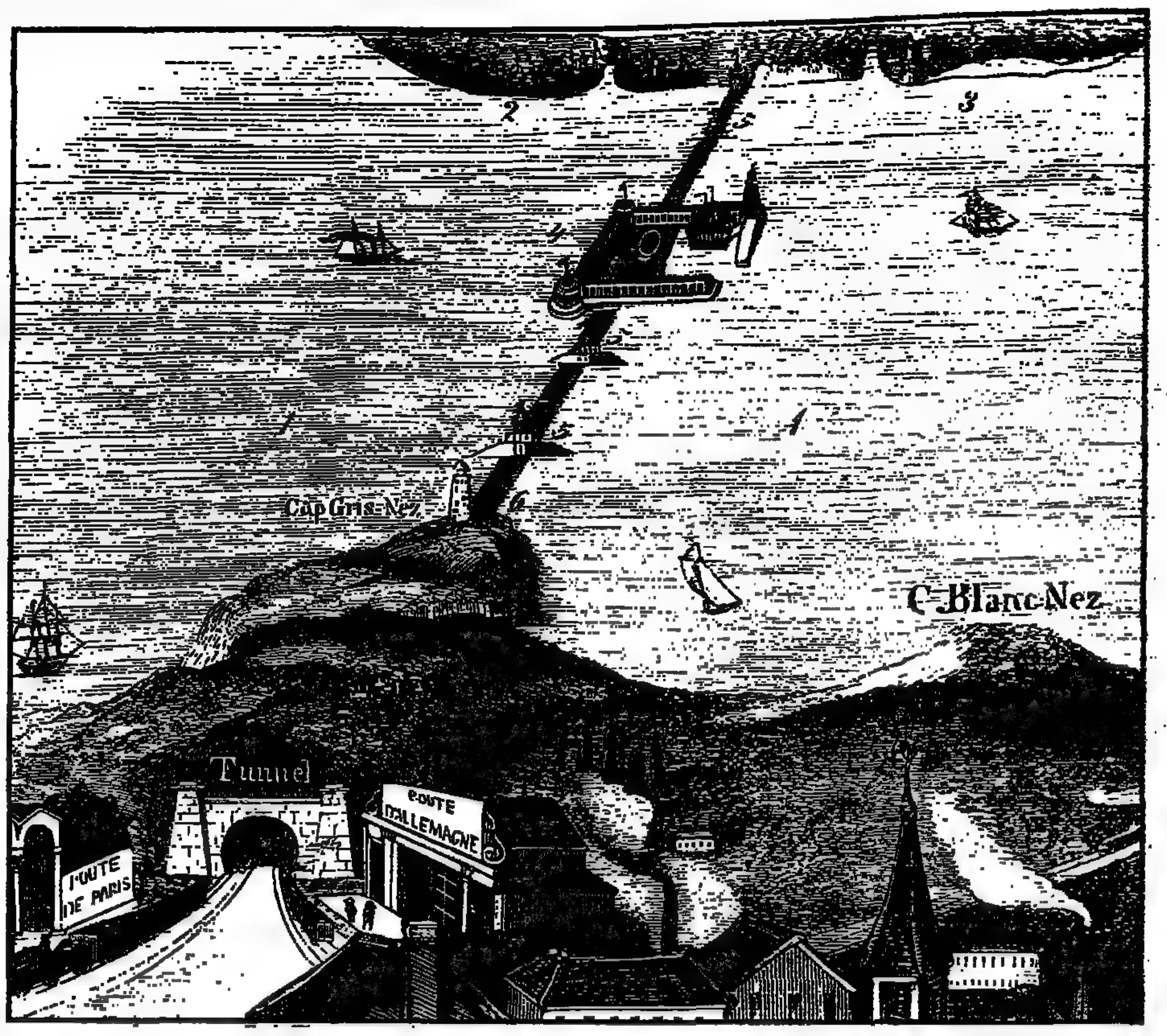
From the start, Paris has argued forcefully for the construction of a northern European high-speed train network which will cost more than the tunnel itself to complete. It has also argued that a high-speed train service between Paris and London linking the two capitals in three hours or less was an essential factor in the ultimate viability of the fixed link.

The French, who have always considered that the main hurdles have come from the British side of the Channel, have also taken an increasingly active role in the financial aspects of the project. Indeed, the French were alarmed by the way the Channel Tunnel Consortium's £206m Equity Two placing was handled at the British end.

This prompted the Paris bankers and promoters to become involved in the preparation of the big Equity Three placing this autumn to avoid any of the Equity Two mishaps occurring again.

With the lifting of the political risks to the project following ratification of the Channel Tunnel Treaty and agreement on the high-speed rail link, the French have become increasingly confident that the tunnel is finally close to reality. The big hole being dug at Sangatte, outside Calais, has also reinforced the feeling that the Continent soon will no longer be isolated from Britain.

Paul Betts



An earlier effort at ending the Continent's isolation. A tunnel proposal similar to that of Thome de Gamond 1857

UK Political Dimension

Lingering doubts finally dispelled

THE CHANNEL TUNNEL has always been as much a political issue as a financial or economic one, particularly on the British side. The whole lengthy saga has been one of political intrigue with many of the arguments used against it, like the increased danger of invasion, being patently absurd.

It was largely emotion and sectional self-interest that prevented the tunnel from being built years ago, plus nationalism, insularity and a general desire to keep the UK and the Continent apart. Britain was an island and proud of it.

Dozens of tunnel schemes have been considered and shelved since 1802 when Napoleon first contemplated such a link. In 1975 construction had actually begun when Premier Harold Wilson, worried by soaring costs and government loan guarantees, pulled Britain out of a deal arranged with the French by his predecessor Edward Heath.

This time both governments are solidly behind the £5.5bn project. Any lingering doubts about Mrs Thatcher's personal commitment were dispelled by her speech at the Elysee Palace in July, when she and President Mitterrand signed the Channel Tunnel Treaty, an event the sceptics said would never happen. The image of perfidious Albion, always backing out of tunnel schemes and other joint ventures, faded at last.

Perhaps the other key event politically was Mrs Thatcher's return to power in June for a third term with a rock solid majority. This assured the continuation of the project on time, and the Channel Tunnel Bill, held over from the previous Parliament, rapidly reached the Statute Book, thus completing the problematical legislative grind.

But the political battle has not been easy in the UK. Ranged against the tunnel has been a mix of pressure groups including ferry companies, port authorities, local landowners and some trade unions, all of whom could lose materially from the tunnel's construction. They have fought a formidable campaign both overtly and behind the scenes to undermine City confidence in the project.

The legislative problems, which at times came perilously close to scuppering the whole plan, stemmed principally from the speed with which Ministers attempted to win Parliamentary approval for a project that was as politically controversial as it was technically impressive.

As recently as 1985 the prospect for the fixed link was uncertain, but once Mrs Thatcher gave it her political support, the preparatory groundwork was done at a pace that shook the project's opponents. Their essential complaint was that objectors were being denied the right to state their case properly.

In rapid succession in 1985-86 the Government announced the tunnel plan, launched a competition to find the construction consortium, evaluated the bids, selected the winning team and launched the legislative programme.

A critical move came when Ministers decided not to hold an inevitably lengthy public inquiry which could have stifled the political momentum. Instead, they opted for the hybrid bill procedure which reflected the unique characteristics of the tunnel scheme and gave objectors the chance to protest to a special select committee assessing the legislation. In all, 4,850 petitions were received, many more than anticipated.

Opponents, particularly the ferry companies, seized the opportunity to lambast the Government for stampeding the legislation through, but what also came across was the deep hostility of the "green" environmental lobby and the anxiety of those whose lives and livelihoods could be disrupted.

Scattered resistance to the project remains but neither Conservative Party candidates in last May's local elections nor Tory General Election candidates suffered unduly in the Kent area. Given the Government's overwhelming endorsement, such rumblings are not now considered significant obstacles.

The Labour Party did not oppose the principle of the tunnel but both the party and the trade unions are divided on its impact. There is, for instance, a fear that the tunnel will act as an additional magnet towards the prosperous South East in contrast to France where the deprived north will benefit.

Predictably, the National Union of Seamen has been vigorously against the scheme because of the potential loss of jobs on the cross-Channel ferries, and the National Union of Railwaymen in favour because of additional jobs on the railways. In all, about 6,000 jobs could be lost in the Dover and Folkestone area once the tunnel is in operation and this is bound to mean a degree of continuing local hostility.

The emphasis has now turned from the political problems to those of fund-raising, however. Mrs Thatcher has remained adamant that the project must remain in the private domain. No public sector funding or guarantees will be forthcoming.

The stakes are certainly high. Mrs Thatcher now believes that the tunnel will be one of the great engineering projects of the 20th century and she is anxious to prove her belief that what would once have been done with public money can be achieved equally effectively by private investment.

But if the next tranche of funding does not go well, politicians will have the uneasy feeling that the tunnel may simply be too important to be left entirely to the private sector. Its political significance has become too great.

Richard Evans

High-speed railways

Wooing business travellers

"RAIL IS THE most inconvenient form of travel from Britain to the Continent." This statement comes not from a ferry operator or an airline, but from British Rail's Channel Tunnel Director, Malcolm Southgate.

Speaking at a seminar on high-speed railways last month, Mr Southgate conceded that BR and its French partner SNCF cater only for a small part of the cross-Channel passenger market - handling a mere 3m out of the 50m journeys a year.

The freight picture is no brighter, with rail shifting just 2m tonnes a year on the Dover-Dunkerque train ferry and container services between Felixstowe and Belgium. Nearly another 50m tonnes moves across the Channel every year, much of it in heavy lorries using roll-on/roll-off ferries.

Opening of the Tunnel in May 1993 offers BR the chance to carve out a larger share of the long-haul freight market because the economics of rail transport improve dramatically as distance increases.

While Eurotunnel expects about 6m tonnes a year to switch to the road ferry shuttle trains, BR hopes to attract about 8m tonnes to its through-freight services. Up to 30 trains in each direction every day will lop at least 24 hours off present transit times.

The traditional freight train in Western Europe has declined with the rundown of smokestack industries that once provided the railways with their bread-and-butter traffic of coal, iron and steel. Europe's railways are now switching attention to the fast-growing intermodal sector, carrying containers, swap bodies and lorry trailers overnight between the conurbations.

This is attracting more business as the environmental benefits of taking traffic off overcrowded roads are recognised. West Germany's intermodal flyers shifted 17.5m tonnes last year, and the Federal Railway is gearing up to handle 45m tonnes a year by the turn of the century.

BR, however, is virtually debarred from carrying lorries on trains because bridges and other structures were built too low to allow such loads. Were this restriction removed, BR could emulate its German counterpart and recapture a share of the valuable merchandise business it has lost to road transport.

A study by Steer, Davies & Gleeve commissioned by Transport 2000 optimistically suggested that if the extra height needed to carry conventional road trailers could somehow be found, about 10m tonnes of freight would be taken off Britain's roads every year.

In a bid to squeeze in the extra inches ahead of the Tunnel opening, three private companies are developing intermodal vehicles for the British loading gauge, and five prototypes for carrying road tankers are to be tested next year.

A major diversion of cross-Channel passenger traffic to rail is a certainty when the Tunnel opens, for at a stroke BR will be plugged into Western Europe's nascent network of high-speed railways.

BR has operated trains at 125mph since 1976, but in 1981 SNCF began whirling 15m passengers a year in its 160mph-plus Trains a Grande Vitesse (TGV) between Paris and Lyons on a brand-new railway. The TGVs, which serve the whole of South-East France and parts of Switzerland, won instant acclaim, and after two years the speed ceiling was raised to nearly 170mph.

The backwash from the TGV took the form of a nationwide clamour for the same high-speed treatment, leading to a decision in 1983 to build the world's first 186mph railway, the TGV-Atlantique. Tracklaying on the Y-shaped route from Paris to Le Mans and Tours began this summer, and it is set to open in 1989.

While this development placates the west of France, cities in the north and east remain strident in their demands for their own TGV lines. Plans for a route to Lille and Brussels known as TGV-Nord have gathered extra momentum with the approaching reality of the Tunnel, enhancing the rate of return on the $1bn needed to build the French part of the new line.

Mr Jacques Douffiagues, the French Transport Minister, cherishes hopes that private finance will fund at least his share of the project, and Mr Chirac, the Prime Minister, is due to announce the definitive choice of route this month.

This will pave the way for the five ministers of transport involved to launch the project at a meeting later this month or early next month in Paris or Brussels.

If the all-clear comes in time - and barring other problems - the London-Paris rail journey for passengers in 1993 will be pared to just 3 hours, with London-Brussels taking 2hrs 40 mins. This is fast enough, BR believes, to woo business users out of the Tristars and Airbuses shuttling hourly over the water.

BR has been reticent about promoting a high-speed line from the Tunnel to London, for it was the cost of just such a project which gave the Labour government in 1975 an excuse to pull out of the last Tunnel scheme.

So for the moment it has settled for a £200m package of limited improvements, with a similar amount paying for BR's share of the 42-strong fleet of high-speed trains that will run between London and the two Continental capitals.

Proposals for the design of these 186mph supertrains were due to reach the desks of Channel Tunnel managers for the three railways in London, Paris and Brussels by the end of last month, kicking off a series of negotiations that will culminate in a prestige contract.

Preliminary designs were sought from 11 suppliers this summer on the basis of an outline performance specification.

The idea is that international consortia will be formed to build the trains in line with the railways' agreed procurement strategy. This specifies a common design with joint ownership by the three railways of a fleet of 42 train sets, with a "responsibility split" of 18 each for BR and SNCF and six for Belgian Railways.

Already an international grouping of companies has been formed embracing the UK's GEC Transportation Project, British Rail Engineering, Hawker Siddeley and Metro-Cammel, together with Alsthom, ANF and De Dietrich of France and BN Constructions and ACEC of Belgium. They have already agreed that manufacturing will be shared 12 per cent to Belgium, 44 per cent to France and 44 per cent to the UK.

When the Tunnel scheme began, the French - not unreasonably - assumed that the trains would be a version of the highly-successful TGV, slimmed down to fit within the British loading gauge. However, Britain's railway industry put forward its own proposals in March 1986, jolting the French into realising that the British were determined to secure a share of the job. The outcome is that the railways have now agreed that there should be "a visible technological contribution from each country."

The specification is pretty demanding. Apart from the capability of cruising at 186mph with 770 passengers on board, the trains must be able to start on a relatively steep grade in the Channel Tunnel with only one of the two power cars working.

The ability to take at least three, and perhaps four, types of power supply is required, and in the event of a fire or accident while in the Tunnel it must be possible to uncouple sections of the train so that an undamaged portion can be removed.

On present plans, these 186 mph supertrains will have to slow to 100 mph on Britain's Southern Region tracks to take their turn among the suburban locals. This may not always be so, since BR is setting up a team to study options toease the strain on commuter lines and will report its findings to Mr David Mitchell, Minister of State for Transport, by June next year.

The possibilities range from laying extra tracks alongside existing lines to creating a special high-speed route.

If BR is able to cut significantly the 70-minute planned timing between London and the Tunnel, the rate of return on construction of new lines east of Brussels to Amsterdam and Cologne would rise as many more cities fall within the 3-hour bracket regarded as the limit for business rail travel.

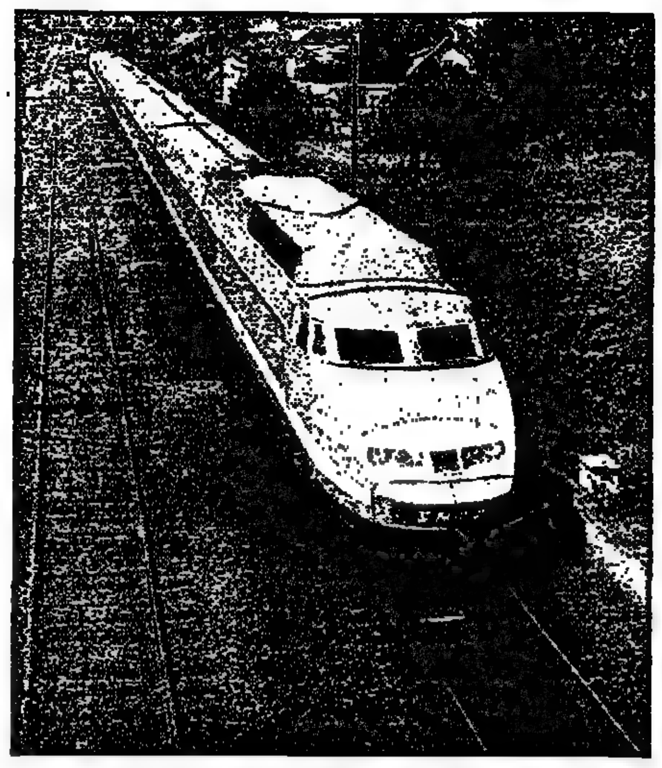
Arrival of high-speed services in Cologne would lend weight to German Federal Railways' plan to build a new direct line from there to Frankfurt, which would trim the present 2hr 20min journey between the two cities to just 1 hour.

Completion of this link would precipitate reshaping of Germany's inter-city network, bringing extra business to the fleet of 155mph Intercity-Express trains which are about to be ordered.

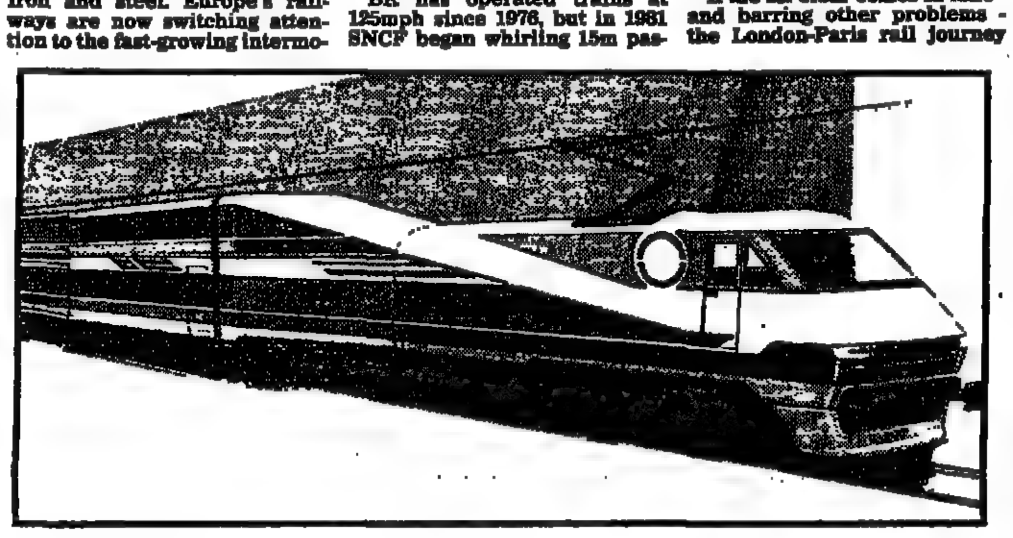
With high-speed lines also planned or under construction in Austria, Switzerland, Spain and Italy, a comprehensive high-speed European network shouldbe operating by the end of the century.

Murray Hughes

Murray Hughes is Assistant Editor at Railway Gazette International



France's TGV: key to future high-speed services



Artist's impression of high-speed shuttle train

Regional impact:UK

A balancing act for Kent

IF EVER A project demanded regional planning, it is the Channel Tunnel. Unlike in France, where the immediate impact will benefit the depressed region of the Nord-Pas de Calais, in Britain, the fear is that the Channel link will boost the pronounced tilt of the economy to the South East of the country.

Within Kent, however, there will also be a need for planning at an early stage so as to effect a reasonably fair distribution of the benefits around the county.

Regional statistics show that the South East has the lowest unemployment rate and the highest gross domestic product per head of any region in Britain. Compared with some other prosperous regions on the Continent, the South East is less advantaged. But, on the basis of national comparison, it scores highly in all of the indicators which point to continuing prosperity, such as growth in self-employment, and the change towards service-oriented work.

The breakdown of the statistics for parts of the South East, however, shows that the region still has problem pockets. These include north Kent, which is suffering from the contraction of traditional industries like cement and paper-making.

Kent is one part of the need for a sub-regional as well as regional approach. The recently-published Kent Impact Study, a report by a team of central and local government officials and British Rail, provides a suggested strategy for the county so that it can best take long-term advantage of the Tunnel.

The team's investigations among businessmen showed that the Tunnel will be seen as an integral part of the newly-emerging road and rail network, including the M20 and M25 - indeed, the impact of the outer ring road on improving the economic prospects for Kent is likely to be considerably greater than the Tunnel alone.

Opportunities for growth in the context of the Tunnel are identifed as: expanding producer services, a range of manufactures, distribution and tourism. In combination with the improved road and rail links, some 13,000 to 14,000 jobs are expected to be added to the county's existing workforce of some 480,000 by the mid-1990s.

But the study warns that distribution of these jobs will be uneven in different parts of the county. It recommends a development agency for East Kent - the area which will be most affected adversely with the loss of jobs in the port and ferry industries - so as to ensure that it can share in the positive employment balance for the county as a whole.

The agency would seek to develop Ashford as the commercial and industrial hub of the area, at the same time diversifying employment in the coastal towns (Dover, Shepway, Thanet and Canterbury districts), particularly towards tourism.

For North Kent, the opportunity to develop a range of manufactures, many based on higher technologies, is within reach.

The early planning recommended for Kent must be matched on the national scale if some of the advantages of the direct link to the Continent are to be enjoyed in other regions. Many regional representatives have warned that unless such planning is agreed to at an early stage, the Tunnel will suck activity and jobs away from the remoter areas.

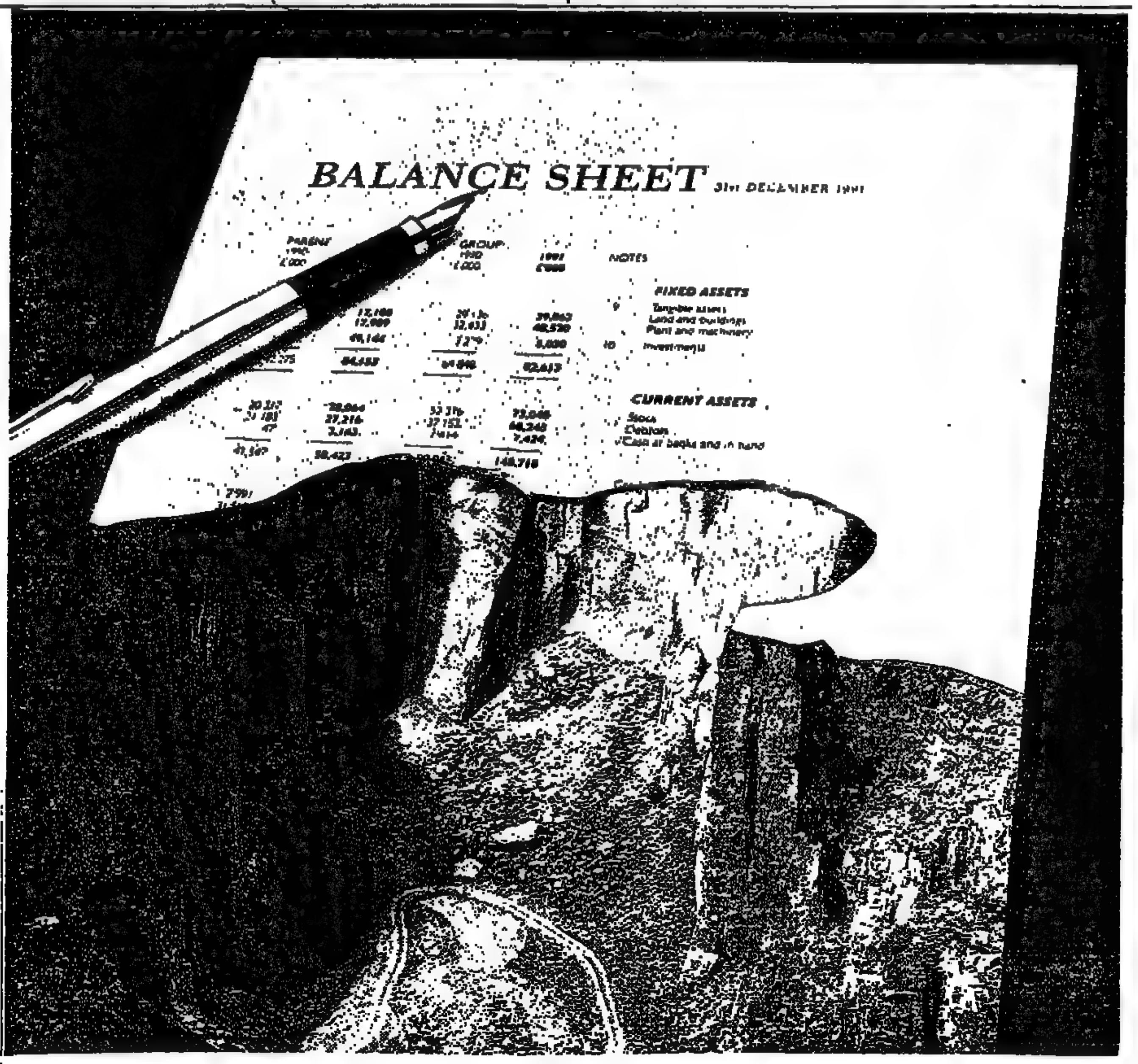
The opening of the M25 has considerably eased access to the Channel ports by traffic coming from outside the South East. Comparable improvements need to be made to the rail links, so as to speed up freight transport to the Continent from these regions, in the opinion of many planners.

Their strategy to counteract the pull of the South East is:

- Faster through rail links to the Continent;
- Inland depots for the clearance by customs of rail freight traffic;
- A universal freight rate so as to improve the competitiveness of regions outside the South East.

British Rail is studying the freight potential of the Tunnel for its network. Part of this study will include consideration of where inland depots should be located. Location may well provide a considerable boost to the local economy in the cities chosen.

Hazel Duffy



France

Pas de Calais region hopes for benefits

THE LARGE depressed region surrounding the French side of the Channel Tunnel has pinned high hopes on the fixed link project. As the heart of the so-called "Rust belt" of Europe, the Nord-Pas de Calais region has suffered a long and painful industrial and economic decline during the last few years with little signs of ending.

In barely 15 years, 400,000 jobs have been lost as a result of coal mine closures, crisis in the steel industry, and the troubles of the shipbuilding and textile industries. More jobs are likely to go with the continuing restructurings of the steel and coal industries and closure of the Dunkirk shipbuilding yards following the decision of the French conservative government to cut back drastically on state subsidies to uneconomic industries like the shipyards.

The region's unemployment rate is above the national average and in some places at record levels. And despite strenuous efforts to encourage new industries and boost agriculture, the jobs problem - all the more dramatic because of the large population of under 20-year-olds in the area, remains unresolved.

From the beginning, the Channel Tunnel restored some of the region's flagging hopes. The tunnel itself and the plans to extend France's high-speed train network to link Paris to Brussels, Cologne and Amsterdam as well as with London are expected to transform the region, and the city of Lille, as a major new north European transport and communications hub.

Local government officials in Lille say this is likely to provide a considerable boost to the overall development of the area, not only because of the increased transit traffic from the tunnel and high-speed rail link but also because the tunnel and the high-speed trains are expected to attract new industrial and service investments and development to the region.

The French government has already announced a programme to improve the region's infrastructure, including road and rail links, in advance of the tunnel opening. This programme at present involves spending about Ffr 2.7bn between now and 1995. At the same time, the government has also agreed to a FFr1.2bn motorway construction programme for the north of the country.

The government has also sought to appease the anxieties of the ports of Calais and Boulogne which, unlike the inland areas of the north, fear the new tunnel will depress even further their already troubled economies. Indeed, Mr Jean-Jacques Barthe, the Communist member of parliament and mayor of Calais, has urged the government to provide support to his town to offset the likely impact of the tunnel on Calais' traditional port activities.

Calais, with a record unemployment rate of 20 per cent, has asked for special treatment to enable the city to take advantage of the economic spin-offs generated by construction of the French end of the tunnel at Sangatte and its related terminal.

Boulogne, like Calais, has also expressed its worries over the tunnel's effect on the ferry business and its port activities. Indeed, Boulogne has estimated that the tunnel will lose the city between 3,000 and 4,000 jobs.

As a result, the government and the tunnel promoters have promised Nord-Pas de Calais 75 per cent of the jobs on the tunnel construction site and the project's other related activities in the area. But Calais and Boulogne as well as some other places like Dunkirk are still anxious because they feel that the pledges made to the region remain somewhat vague.

Nonetheless, the prevailing feeling in the area is that the tunnel and the high-speed train link ultimately will give this troubled area a badly-needed economic boost. "It will inevitably put us in the middle of the European map and should encourage investors to take a good hard look at the possibilities and potential of our area," says a regional official.

Paul Betts

Rates charged, efficiency of loading and customs' clearance will be key factors in prospects

Sharp expansion of rail freight expected

DEVELOPMENT OF the Channel Tunnel could lead to up to 25 per cent of the total non-fuel trade between the UK and mainland European Community countries being moved by rail.

Some traffic already moves by that means. British Rail's Railfreight International operation now reckons to carry well over 1m tonnes of traffic a year on its train ferry services between Dover and Dunkirk, but the major proportion of general cargo trade is carried by road vehicles using high-frequency cross-Channel roll-on/roll-off ferry services.

Other freight is shipped in containers or as conventional bulk cargo.

Assessing how much additional trade will become railfreight with the advent of a fixed Channel link is still very much a guessing game. Key factors will include the rates charged for freight moved through the Tunnel, the efficiency or otherwise of the loading/unloading and Customs procedures at either end, and the availability of suitable equipment to accelerate the development of multi-modal transport operations involving combined road-rail movements.

However, according to a recent report produced by transport consultants Steer Davies and Gleave for the environmental lobby group Transport 2000, the tunnel will open up the possibility of a massive switch to rail for UK-Continent freight traffic. Much though will depend on substantial further development of multi-mode road/rail freight operations.

Basically, the report outlines two possible directions. The first assumes the continued use of existing technology and envisages something between 3.1m and 5.8m tonnes of additional UK-Continent freight being transferred to rail for haulage through the Tunnel in 1993. After that, the growth rate could be about 3.5 per cent a year.

The second direction suggested by the report envisages further investment in additional infrastructure and rolling stock to pave the way for more multi-mode road-rail movements between inland points in the UK and on the Continent using a combination of bulk wagons, container swap bodies and so-called piggyback systems where vehicles and containers are carried on rail wagons.

With that sort of development, the report says, some 13m tonnes of freight could be diverted on to the railways, which would represent about 25 per cent of the entire non-fuel trade between the UK and Continental European Community markets.

Elaborating on the freight possibilities created by the Tunnel, the report also claims that many of the substantial opportunities will not be realised unless there is substantial management effort and technical innovation in the period up to 1993.

Specifically, the report says that British Rail could be hindered in making full use of the Tunnel's opportunities for freight traffic by loading gauge restrictions. Those problems could be partly overcome, though, by establishing a network of strategic routes for an increased loading gauge, by continuing the recent development of small-bogie ultra low-line wagons which could accommodate 9ft high containers and the swap body units increasingly being used in Europe.

Such wagons additionally could facilitate piggyback traffic of loaded trailers or complete motor vehicles.

In fact, according to British Rail, substantial progress is being made with technological developments designed to boost's the railways' share of international freight business once the Tunnel is open.

Sir Robert Reid, BR's chairman, told the Freight Transport Association's annual conference last month that a number of systems were currently being evaluated in that context. On the subject of loading gauges, for example, development work was going on to produce a new small-wheeled bogie which would lower the height of the wagon floor and allow larger containers of up to 9ft or even 9ft 6ins to be carried, as opposed to Freightliner's current limit of 8ft 6ins using existing wagons.

Sir Robert also said safety and reliability trials had been successfully concluded with a new unit, TrailerTrain: a conventional road trailer with a curved roof which is lowered on to rail bogies and the road wheels then retracted.

Such units could have a 6 tonne payload advantage over a road tractor and trailer unit. Apart from direct UK/Continent trade, it is also being suggested in some quarters that construction of the Eurotunnel rail link could also have a significant impact on other international freight traffic moving across the Channel, even to the point of opening up new opportunities for some of the UK's struggling west coast ports to re-establish a more significant role in deep sea shipping operations.

Such a view was put forward earlier this year by Mr David Staines, management services director of tunnel construction company Transmanche Link, when he spoke at a distribution forum organised by UK contract distribution company said, National Carriers Contract Services.

Agreeing with suggestions that UK organisations had been generally rather slow to latch on to the possibilities a tunnel link with the Continent would create, Mr Staines said the Channel represented an obstacle to the continued development of trade between the UK and the Continent which would have to be overcome. The Tunnel would cut transit times and distribution costs.

On the distribution opportunities which would be created by the advent of the rail-based tunnel link, he said the project would clear the way for the development of through-service railfreight movements which would not need any costly transhipment operations.

Thought should be given, he said, to the introduction of further inland clearance depots in the UK in places such as Glasgow, Liverpool, and possibly South Wales. Taken together with the establishment of the necessary rail facilities and connections, such development could open up new business opportunities for the UK's west coast ports.

"If my understanding of the shipping industry is correct and that the pattern today is for vessels to operate on circular routes, then the opportunity to avoid going up the Channel could be of interest. It could be expedient for ships, particularly from the United States, for example, to call into places like Glasgow and maybe Liverpool to offload containers there on to trains, or maybe even road vehicles, for onward movement into Europe through the Tunnel."

Despite the increasing likelihood of a fixed Channel link, leading English South Coast ports have pressed ahead with substantial new development. For instance, Dover officially opened two new berths at its Eastern Docks last month, and its now established DTI (Direct Trader Input) clearance system for imports.

According to the port authority, Dover Harbour Board, both passenger and freight traffic is continuing to grow. In the latter category, total cargo handled in 1986 increased by 6per cent on 1985 to 9.7m tonnes, with the number of commercial road haulage units handled rising by 7.5 per cent to 858,000 and other rollon, rolloff freight by 21 per cent to 156,000 units.

The growth in freight traffic has continued this year, although at a slightly slower rate, with total cargo handled in the January-July period up by 3 per cent on the same months of 1986 to almost 6m tonnes and the number of commercial road haulage units by 0.2 percent to just on 500,000.

Meanwhile, the Sussex port of Newhaven has this summer been putting the finishing touches to a £1m expansion scheme. The project, has involved creating more space in the harbour and deepening the draught to accommodate in particular the larger passenger/freight vessels being operated to and from Dieppe by Sealink Dieppe Ferries.

Leading cross-Channel ferry operators have also been pressing ahead with expansion of capacity to cater for more passengers and freight traffic. Townsend Thoresen, for instance, claims to have "fired a broadside" at the proposed Channel Tunnel project by investing some £85m in two massive new ferries for its Dover-Calais route. The vessels are able to carry up to 650 cars or 100 commercial vehicles in addition to 2,300 passengers.

New berths have been built at both Dover and Calais with two-tier, double-width loading ramps to speed the loading and unloading of vehicles.

Plans are already under way to improve shipping capacity on the Dover-Dunkirk rail ferry route. French Railways (SNCF) have a large new train ferry under construction in France which is due to be put into service from the beginning of next year as a replacement for three smaller vessels which are now nearing the end of their working lives.

Initially scheduled to make three round trips a day, the £23m train ferry will be able to carry up to 50 standard-length railfreight wagons and cope with modern high-capacity wagons able to take payloads of 5,365 tonnes.

The new ship will use a £8m purpose-built train ferry berth currently under construction at Dover and a similar £5.5m development at Dunkirk.

Agreements have been signed by the various rail and shipping interests involved to the effect that the new facilities will be used for at least ten years and for five years after the opening of the Tunnel.

Philip Hastings

A tight fit. Lorries will be eased into railtrucks with just a little room to spare

FINANCIAL TIMES
Tuesday October 13 1987

Roderick Oram reports on the radical restructuring at the Street's aggressive trader

Salomon shake-up sends tremor through Wall St

IF IT EVER gets off the drawing boards, New York's sixth-largest skyscraper, dubbed "The Shadow" by its critics, would plunge a mile-long swath of Central Park, clear over to the Metropolitan Museum of Art's back door, into a chill, premature dusk on mid-winter afternoons.

Salomon would be majority owner and prime tenant. According to the present timetable, the movers will turn up around 1990 to transport the largest US securities house uptown just when Wall Street remains in the thick of costly and dramatic restructuring and is, possibly, wrestling with global bear markets.

Salomon bridles at the suggestion it has an edifice complex. It says it has to take a $1.5bn, 15-year lease on 1.5m sq ft (140,000 sq m) at Columbus Circle because years of head-spinning growth have left staff spilling into the corridors of its downtown buildings.

Cramped offices are the least of Salomon's discomforts from its no-expense-spared, scantily planned push into global markets. The firm was yesterday forced to announce a thorough restructuring to cope belatedly with the new scale and complexities of its worldwide activities.

It is attempting to change how it runs itself, the businesses it pursues and to some extent even its corporate culture as The Street's pre-eminent "What's the Spread?" hustling trader.

The radical shift has become ever more urgent in recent weeks because the firm's dismal profits, down 38 per cent in the first half, and weak share price are raising a disturbing spectre; the shadow of a corporate raider has darkened Salomon's doorstep.

Many on Wall Street, too often cut up by sharp-witted Salomon traders, delighted in the spectacle of Mr Ronald Perelman, vanquisher of Revlon, stalker of Gillette, unsettling Salomon with an offer to buy up to 25 per cent of its stock.

His opportunity came when Minerals and Resources, the Bermuda-based investment arm of Mr Harry Oppenheimer, the South African mining magnate, wanted to cash in its 14 per cent Salomon stake and deploy its money in natural resources.

"Believing Mr Perelman has no hostile intentions is like believing the tooth fairy exists," Mr John Gutfreund, Salomon's chairman and chief executive said. Taking no chances, it sought out the reassuring arms of Mr Warren Buffett, a low-key investor from Omaha, Nebraska, whose hands-off, long-term investments in undervalued companies have earned him more than $1bn over the past 30 years.

Mr Buffett's $700m, 12 per cent stake in Salomon could turn into one of his best investments ever. But it comes with no guarantees that Salomon will overcome its present difficulties or that Mr Perelman, rudely rebuffed by Salomon, will fade away.

By bringing in Mr Buffett as Salomon's largest single shareholder and newest board member, Mr Gutfreund has bought a unique source of sound advice and a bit more time to pull the firm through its present difficulties.

At the heart of the problems is the firm's trading culture which is both its greatest asset and its main weakness. Since its inception as a money broker early this century, Salomon has prospered handsomely through its sixth sense of a spread.

But the trading mentality and language permeates all that the firm does. Generations of buy/sell, long/short, win/lose, have tended to reduce management thinking to a binary system. "Yes" or "No" springs decisively from Salomon lips. "Maybe" or "wait and see" are for the mealy-mouthed back in the Wall Street pack.

So Salomon knew exactly where it wanted to be when London and Tokyo opened up their financial markets to foreigners – in the thick of it being all things to all people.

John Gutfreund, chairman and chief executive, of Salomon Inc.

Thomas Strauss, chief executive committee member of Salomon Brothers

The staff of Salomon Brothers, the securities arm, grew 40 per cent last year to 6,000, and now stands at 6,500, as senior management gave section heads at home and abroad carte blanche to hire as many people as they thought necessary.

Revenues from these new operations are picking up rapidly but profits are more elusive as Salomon carves out its position. Analysts are generally sceptical that these relatively green staffs can generate profits to match for some time yet, and that will depend on the condition of world financial markets.

By being more selective abroad competitors such as Morgan Stanley and First Boston have grown more slowly and profited sooner.

Trading has also had a fundamental impact on the nature of its business. Years of profiting hugely from securities dealing meant Salomon relegated the firm's investment banking activities.

But in recent years, securities trading has become increasingly a commodities business, with rich new players driving down margins. Moreover, markets have become more volatile and just as likely to bring hefty trading losses as profits, as Salomon discovered with a $100m loss on municipal bonds this spring.

Salomon's undisputed role as the leading underwriter of US debt and equity issues has been steadily eroded. In the first nine months of this year, for example, it remained top overall but its market share was cut from 18.4 per cent to 14.9 per cent, mainly because of a plunge from first to ninth on equities, according to Investment Dealers' Digest.

The pressure can only intensify as, for example, Japanese securities firms bid ruthlessly for business as they attempt to broaden out into corporate financing from the substantial beachhead they have established in Wall Street's government market.

In contrast, the hot and profitable area of the industry continues to be investment banking. Salomon is conspicuously weak in this area, ranking only sixth last year in terms of the value of mergers and acquisitions deals in which it acted for the offence or defence. The top four – Goldman Sachs, First Boston, Morgan Stanley and Lazard Freres – are considered at the top of their game and reaping profits to match.

Apart from being hampered by its traditional tendency to downplay investment banking, Salomon was late joining the bandwagon of deploying high-yield junk bonds and committing the firm's capital in takeover deals, competitive tools which are proving highly profitable to other firms.

Being on the wrong side of the trading and investment banking trends has cost Salomon dearly in recent years. Between 1982 and 1986 its revenues grew at a compound annual rate of 26 per cent, compared with 35 per cent at First Boston and Morgan Stanley.

With a better handle on costs and more lucrative lines of business, Morgan Stanley's annual return on equity in the period average 30.4 per cent and First Boston's 25.4 per cent against Salomon's 21.6 per cent.

Salomon joined the merchant banking fray last autumn but not without dissent from some senior managers, including Dr Henry Kaufman, the firm's chief economist, who questioned the credit risks involved. Dr Kaufman stepped down as vice-chairman of Salomon Inc, the parent company.

At the same time Mr Gutfreund beefed up the management structure by adding at Salomon Brothers, the securities arm, an 18-man board of directors, its first new layer of management in 20 years, a three-man office of the chairman.

In March it added a chief financial office and company-wide budgeting for the first time, although its revenues were running at more than $6bn a year and it was deploying $3.5bn of capital. Proper allocation of costs through budgeting revealed some unprofitable businesses which are being axed.

"It was something like changing from the Sun King to rule by the office of the chairman, a board of director and committees," Mr Gutfreund told Salomon trainees this summer.

Soon after he became Salomon's chief executive in 1978, he plunged the firm into a big expansion and diversification from its bond-trading roots. Under a loose management rein, Salomon's strategy was always to give bright young men and women the resources to run with their ideas.

This inevitably lead to fierce internal competition and feuding. "There's no back-stabbing around here," one Salomon official said. "People come in the front door with a hatchet."

A wily chief executive, Mr Gutfreund has the reputation for solving management disputes by putting the adversaries in a room together and "let them chew on each other like a couple of dogs," according to a former Salomon partner.

Coping with fiefdoms and feudings, which some analysts see as one of the firm's most debilitating problems, has been a major task of Mr Gutfreund this year. The dramatic changes announced yesterday are likely to intensify those pressures. Defusing them could be the key to the success or failure of efforts to revitalise the firm.

The most spectacular example to date came this summer with the case of Mr Lewis Ranieri who had turned mortgaged-backed securities into a huge source of profits for Salomon. From a mail-room clerk in 1968, he rose to replace, at age 40, Dr Kaufman as vice-chairman of Salomon Inc. Colleagues say Mr Gutfreund thought of him almost as a son and considered him one of the few candidates to become the next chief executive.

Suddenly in July, Mr Gutfreund fired Mr Ranieri because he refused to have his mortgaged-backed operations drawn into an unified trading structure as part of an attempt to bring closer control and coordination of activities.

"There are separatist movements at the firm," Mr Gutfreund said at the time. "I guess this restructuring came about because we decided that if we didn't force the firm together, it would grow further and further apart."

Glaxo shares plunge as growth in profits drops back to 33%

BY DAVID WALLER IN LONDON

SHARES in Glaxo Holdings, the UK's largest pharmaceuticals company, plunged yesterday by nearly 10 per cent after the company announced disappointing results for 1986-87, knocking more than £1.25bn ($2bn) from its market capitalisation and helping to drag the FT-SE 100 index down by 28 points over the day.

Although pre-tax profits rose 22 per cent to £746m, the figures fell far short of stockbrokers' forecasts – which ranged from £770m at their most pessimistic to £840m – and the shares fell from £17 to close at their low point of £15¼. Glaxo was the most active stock in London with over 12m shares changing hands.

During the last six years, Glaxo has enjoyed exceptional growth, largely as a result of sales of Zantac, the anti-ulcer drug which has helped Glaxo become the UK's fourth largest company in terms of market capitalisation and the second largest drugs company in the world.

Operating profits grew 50 per cent in 1985 and 38 per cent in 1986. Yesterday's 33 per cent rise in trading profits fuelled fears that the rate of profits growth they have come to expect from Glaxo cannot be sustained – particularly since the 23 per cent growth rate in the second half was much less than the 45 per cent growth in the first half.

"Some of our products are long in the tooth," Mr Paul Girolami, Glaxo's chairman, conceded yesterday "and it is impossible to carry on growing at the rate of 50 per cent a year. Something in nature would stop it."

He countered criticism of the rate of growth in the second half by saying that the company's long-term was secure, with a new range of major drugs expected to be on sale at the turn of the decade. This would require investment in research and development and marketing.

He said that sales of Zantac, up from £608m to £829m, would continue to be bettered as the market for anti-ulcerants expanded, but that Glaxo's share of that market, currently at over 50 per cent, would inevitably decline.

He added that he was perfectly happy with the figures published yesterday – pre-tax profits were ahead of the company's budget.

Westinghouse reports third quarter increase

BY JAMES BUCHAN IN NEW YORK

WESTINGHOUSE, the diversified US heavy electrical equipment maker, yesterday reported an 8.7 per cent increase in net income to $184.1m for the third quarter to September, on a small increase in sales revenues to $2.59bn.

The Pittsburgh group, which has enjoyed a sharp improvement in profitability through a two-year restructuring programme and stock buyback, posted a 15 per cent growth in earnings per share to $1.28 a share because of its fewer shares in issue.

For the first nine months of the year, Westinghouse reported net income of $515.6m, or $3.58 a share, on revenues of $7.56bn, as against earnings of $457.8m, or $3.04, on sales of $7.86bn in the first three quarters of 1986.

Asea Boveri to have Zurich base

BY SARA WEBB IN STOCKHOLM

THE SWEDISH Government yesterday gave its approval for the merger between the electrical engineering groups Asea of Sweden and BBC Brown Boveri of Switzerland, clearing the way for the creation of the world's biggest electrical engineering concern.

The new company, Asea Brown Boveri, will be headquartered in Zurich, with its main regional offices in Vaesteraas (where Asea now has its Swedish headquarters) Mannheim and Baden.

Mr Lars Rekke, the Swedish Industry Department under-secretary who has been responsible for investigating the merger details since they were made public on August 10, said: "The new enterprise will face better possibilities because of the advantages of co-ordination, new markets and more resources for research and development."

Though there has been some debate within the Social Democratic Party over whether the merger should go ahead, as it would lead to less than total control over Asea, the Government was not expected to withhold its permission.

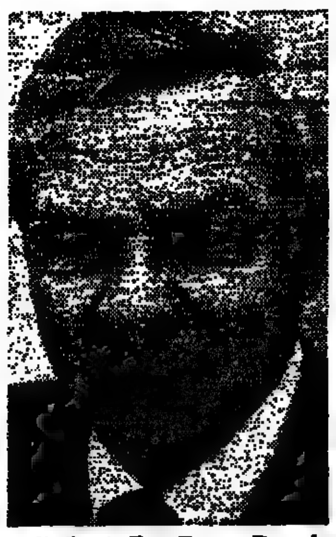
Mr Rekke said the Government had looked favourably on the merger.

When some of the Swedish blue-collar unions at Asea expressed their concern over loss of control at the group, it was the Government which persuaded them to look more kindly on the deal.

Asea, meanwhile, gave a guarantee to the Government that no change would be made in the 50 per cent stake to be held in the new concern by the existing parent company without first obtaining permission from the state.

This is the biggest merger to be investigated or approved by any Swedish Government, Mr Rekke said. A comprehensive analysis of the merger had been made as Asea was a big company and the merger was of great public interest.

The new concern, which will have sales of SKr100bn ($15.6bn) and a workforce of 160,000, will be operational with effect from January 1, 1988 and is the biggest cross-border merger ever made in Europe.



Fritz Leutwiler: Brown Boveri chairman

Percy Barnevik: chairman of Asea

Mr Percy Barnevik, Asea chief executive, said he was pleased the Government had managed to complete its investigation of the complicated deal in such a short time, saying the matter had been handled speedily and competently.

The new concern will be registered in Zurich. Mr Barnevik said the new headquarters in Zurich would be small and that executive members would be based in all three regional offices - Vaesteraas, Baden and Mannheim - as well as Zurich.

Although Asea stated that the main reason for headquartering the company in Switzerland was its geographical convenience, with the international airport providing close links to main markets, it has been pointed out that this may give Mr Barnevik a freer hand in making key appointments - though Asea would not comment on this.

Both Asea and Brown Boveri are to hold extraordinary shareholders' meetings on November 11 to obtain approval for the deal.

Further details on how the new concern will be organised and which executives appointed are expected soon.

Asea said at the time of the merger announcement that it expected to take eight weeks to work out such organisational details. According to Asea these would be announced soon.

KNP may aid rescue of Chapelle Darblay

By Paul Betts in Paris

THE FRENCH Government was studying yesterday a number of rescue proposals for Chapelle-Darblay, France's leading manufacturer of newsprint which is threatened with bankruptcy.

The strongest proposal so far tabled to rescue the troubled papermaker was made at the weekend by the Dutch KNP group, one of the leading European paper manufacturers.

The KNP proposal would see the Dutch group acquire a 30 to 40 per cent stake in Chapelle-Darblay by injecting about FFr250m ($41.3m) into the French company.

Mr John Kila, the Canadian entrepreneur who took Chapelle-Darblay out of the bankruptcy courts in 1984, is understood to have put the latest rescue proposal to the French Government, which owns a 23 per cent stake in the papermaker.

But government officials said yesterday that they needed time to consider the KNP proposal. They added that they were looking at other rescue proposals involving other groups, including a French and a West German concern.

They also stressed that the Chapelle-Darblay affair posed an extremely delicate issue since it was clear that any solution would probably have to involve a change in control of the papermaker.

The officials said that, at present, there were no indications that Mr Kila was prepared to shed control of the group.

After big plant investments in recent months, the French papermaker is regarded as an attractive industrial asset. However, it faces a liquidity crisis after the Government decided to halt subsidies to the paper group.

But a reprieve appeared in sight yesterday when a group of banks led by Paribas and Credit Lyonnais agreed to cover FFr97m of Chapelle-Darblay payments due at the end of last week if agreement was reached on a salvage solution for the group involving a new shareholder.

But a firm solution to the financial troubles is likely to take a few weeks as the Government and the various new shareholders interested in the company study the various salvage possibilities.

The Chapelle-Darblay has long been one of the most politically sensitive industrial issues to face the French administration in recent years.

Moreover, the latest troubles of the paper maker have also stirred the pro-Communist CGT union into action, again at a time when the French Government is anxious to avoid a revival of labour strife in the run-up to next spring's presidential elections.

Hafnia turns in higher profits at six months

By Our Financial Staff

HAFNIA, the Danish insurance and banking group which is listed on the London Stock Exchange, reports higher profits for the first half of 1987 and forecasts an increased result for the year as a whole.

Profits before tax for the six months improved at DKr116.3m to DKr137.3m ($19.7m), with the insurance side contributing DKr114.8m and the banking division DKr20.1m.

The other parts of the group - financial services and property - turned in DKr2.4m.

Hafnia, which made total pre-tax profits of DKr264m in 1986, says the upturn in earnings on the insurance side stems from low cost increases, higher investment income and an improved underwriting result.

The group predicts that operating profits for the year will rise to DKr135m, compared with DKr115m in 1986.

Higher wage costs hit ERPM

BY JIM JONES IN JOHANNESBURG

SHARPLY higher wage bills for black and white employees combined with generally lower gold recovery grades and higher tax rates to reduce the taxed profits of the four gold mines managed by the Rand Mines group in the September quarter.

The total after-tax profits of the four mines - Harmony, Blyvooruitzicht, Durban Deep and East Rand Proprietary Mines (ERPM) - dropped to R29.7m ($14.4m) in the period from the previous quarter's R47.5m.

RAND MINES GOLD MINE QUARTERLIES

	Gold produced (kilograms) Sept 87	June 87	After-tax profit R million Sept 87	June 87
Blyvooruitzicht	3,094	3,026	15.45	16.48
Durban Deep	1,905	1,779	2.87	1.77
ERPM	2,251	2,186	(17.94)	(15.42)
Harmony	7,054	7,369	29.38	44.66

Earnings per share calculated after capital expenditure. ERPM made after-tax losses in both quarters. Durban Deep's capital spending exceeded taxed profit in both quarters, which is why its earnings per share are negative.

Harmony, the largest of the group's mines, was the worst affected. Its gold recovery grade dropped to 2.93 grams per tonne from 3.31g/t in the June quarter, principally because of poor grades on the Leader reef.

Mining operations are being shifted to richer areas and the mine manager expects the gold recovery grade to be restored shortly.

Wage increases have added about 8 per cent to total operating costs.

However, an increase in mill throughput resulted in the unit cost of mining and processing each ton of ore rising by only 2.2 per cent in the September quarter.

ERPM continues to generate operating losses and expects to continue to do so until its expansion and rationalisation programme is completed.

Total debt is approaching the R200m borrowing limit, but production rationalisation is expected to lead to profits next year and help in financing the remainder of the capital spending programme.

Durban Deep's grade and mill throughput improved slightly in the quarter. Nevertheless, capital spending on opening new mining areas and on refurbishing plant and equipment again exceeded profit.

Blyvooruitzicht's grade continued its decline and slipped to 5.25g/t in the quarter from June's 5.26g/t.

The mine's Carbon leader ore reserves are nearing exhaustion and management expects mining to cease sometime between 1991 and 1994.

Golden Dumps mines control unit costs

BY OUR JOHANNESBURG CORRESPONDENT

HIGHER milling rates helped control unit costs at Consolidated Modderfontein and South Roodepoort, the two gold mines managed by the Golden Dumps group, for the third quarter.

Ore grade difficulties and metallurgical problems which have hampered Cons Modder for several quarters are only likely to be resolved early in 1988, the company said.

The mine continued to suffer from poor grades on the Black reef, metallurgical problems associated with the ore's high graphite content and limited availability of alternative ore.

The gold recovery grade dropped to 2.83 grams per tonne in the September period from 3.84g/t in the previous quarter, while mill throughput was lifted from 174,000 tonnes to 248,000 tonnes.

GOLDEN DUMPS GOLD MINE QUARTERLIES

	Gold produced (kilograms) Sept 87	June 87	After-tax profit R million Sept 87	June 87
Cons Modder	701	667	3.28	6.76
South Rood	344	269	2.73	1.58

Earnings are calculated after capital expenditure. In the September quarter Cons Modder's capital spending exceeded its taxed profit. Figures in parentheses are negative.

Mr Roger Daniel, the mine's *chief geologist, expects monthly* mill throughput to reach 105,000 tonnes next year when full production is reached at Cons Modder's Springs Dagga division.

He also expects ore production rates to improve at Cons Modder itself as development rates have been increased to provide additional stope faces.

South Roodepoort gained a small amount of ore from the old Langlaagte property it acquired earlier this year. However, Langlaagte is only scheduled to make its full contribution three years from now.

SOCIETE NATIONALE DES CHEMINS DE FER FRANÇAIS

US$ 75,000,000 11½% Guaranteed Bonds due November 15, 1992

On October 2, 1987 Bonds for the amount of US$ 10,715,000 have been drawn for redemption at par on November 15, 1987.

The following Bonds will be redeemable coupon due November 15, 1988 and following attached:

Amount outstanding: US$ 53,570,000

Bonds previously drawn and not yet presented for redemption:

205 to 209 incl - 211 to 215 incl - 217 to 221 incl - 223 to 227 incl - 229 to 231 incl - 245 - 277

Luxembourg, October 13, 1987

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

INTL. COMPANIES & FINANCE

Hoyts Media buys radio stations

BY CHRIS SHERWELL IN SYDNEY

HOYTS MEDIA, the recently listed Australian media group, yesterday became the country's single largest radio group with the A$151m (US$109m) purchase of nine radio stations.

The purchase, for cash but with payment deferred for one year, was made from Northern Star Holdings, part of the Westfield group, which owns the Channel Ten television network.

The deal marks another phase in the massive media shake-up which began last December after the government announced changes in the law on television ownership.

It puts Hoyts Media in breach of existing radio regulations, which limit the *number of stations* a group can own to eight. However, the government is currently reviewing these regulations too, and this will raise the limit.

Hoyts' new stations are spread across the country. They include an FM station in Perth and AM stations in Adelaide, Brisbane and on Queensland's gold coast. In present value terms the total cost is put at under A$120m.

The company, which is 50.1 per cent owned by the cinema group Hoyts Entertainment, already owns two FM stations, one in Sydney and one in Melbourne, and three regional AM stations. It also has an interest in nine others through a shareholding in Wesgo, another media group.

"We will continue to acquire radio stations, looking at whatever opportunities come our way, said Mr Peter Ivany, executive director of Hoyts Corporation, yesterday.

"We hope to take our expertise abroad next - that is our long-term strategy. The most likely targets are in Hong Kong and the US."

Mr Glenn Wheatley, managing director of Hoyts Media, ruled out the idea of networking the group's stations, but said some output would be syndicated from one station to another.

Four of the nine stations sold yesterday by Northern Star were acquired recently when the group bought the interest of entrepreneur Mr Kerry Stokes in Oakminster Holdings.

That deal made Northern Star Australia's most wide-reaching television network, and yesterday's announcement confirmed that the group now wishes to concentrate almost exclusively on television.

Northern Star has already sold another Melbourne radio station, and is negotiating the sale of the three-station Golden West Country television and radio netowrk in West Australia.

The group also announced that the sale of all its newspaper interests was expected to be settled by the end of this week.

Platinum groups raise R174m

BY JIM JONES IN JOHANNESBURG

TWO South African mining companies are to raise a combined R174m ($84.7m) in separate ventures to expand their platinum interests in the black "homeland" Lebowa.

Rustenburg Platinum is to raise R112m to help finance the expansion of its Atok mine there. It also expects to raise R116m for itself by relinquishing control of the mine. Messina, a copper and coal mining company, is to raise R62m to finance small-scale platinum mining operations and to establish a pilot metallurgical plant.

The Rustenburg transaction is in two stages. The first is the issue of 86.16m shares at R1.30 by Lebowa Platinum Mines (LPM) to its two shareholders - Rustenburg with 92.5 per cent of the equity and the Lebowa Development Corp (LDC) with 7.5 per cent. Subsequently, Rustenburg will renounce its entitlement by selling 68.9m LPM shares to *its own shareholders* at R2.75 a share.

It will sell a further 10.8m LPH shares at the same price to nationals of Lebowa and to Lebowan government agencies. After the transaction, Rustenburg itself will own about 45 per cent of LPM, which it established to operate the Atok mine and to manage the company's other developments in the homeland in response to pressure from the Lebowa government.

The regional authorities had grown tired of the company's reluctance to exploit its mineral rights holdings in the homeland which Rustenburg had tied up in order to prevent other mining companies entering the platinum industry.

The arrangement with the government now is that Atok's monthly *production* of platinum-bearing Merensky reef is to be increased from its current 29,000 tonnes to 50,000 tonnes by August 1989. A concentrator is to be built on the mine to process the ore and the existing concentrator will be used to process 10,000 tonnes of UG2 reef.

Atok has an estimated 87m tonnes of Merensky reef in reserves at an average combined platinum group metals (PGM) grade of 8.4 grams per tonne (g/t). The mine's UG2 reserves have not been fully explored.

Earlier this year, Rustenburg was given two years to complete the exploration and drilling of the Maandagshoek farm about 40km south of the Atok mine and to establish a mine milling an initial 50,000 tonnes a month of ore on the farm. Failing that it would lose its mineral rights. The company now says the evaluation can be completed within a year.

Messina, meanwhile, also needs funds to repay debt and to release the company from restrictive agreements with bankers. Its platinum interests in Lebowa extend over about 16km at depths to 4,000m. Initial indications are that grades of combined PGM are over 6 g/t on both the Merensky and UG2 reefs.

Metallurgical tests are expected to be completed early next year, at which stage the scale of *mining operations* will be decided. In the meantime preliminary mining will deliver 5,000 tonnes of ore a month to the test plant.

Egyptian bank suffers downturn

By Tony Walker in Cairo

EGYPTIAN American Bank, in which American Express of the US has a 49 per cent stake, returned much reduced profits in 1986 due to a large allocation for provisions.

Net profit of E£10.1m ($4.6m) was down by about 40 per cent on the previous year. Mr Elie Baroudi, managing director, said the bank decided last year to "clear its books" of its bad debts.

Mr Baroudi said that one of EAB's concerns was that local regulations prevented revaluation gains on foreign currency assets being included in its profit and loss statement. The sum involved last year was E£23m. By the end of this year it will have reached about E£60m.

EAB, one of the more successful joint venture banks, was established in 1976. The majority shareholder with 51 per cent is the state-owned Bank of Alexandria.

● Export Development Bank of Egypt reported a E£2.1m net profit in 1986. EDBE was established in 1985 with World Bank assistance to encourage exports. Dr Hazem Beblawi, chairman, said the bank's first financial results on a balance sheet of E£90m were more than satisfactory in a difficult environment.

Promet to restructure debt

BY WONG SULONG IN KUALA LUMPUR

PROMET, the troubled Malaysia-Singapore *oil rig* and construction group, has reached agreement with 13 of its creditor banks to restructure its unsecured borrowings of 284m ringgit (US$113m).

In a statement to the Kuala Lumpur Stock Exchange, it said negotiations are still continuing with the remaining two banks. The 13 creditors who have agreed to the new scheme represent 91 per cent of the group's unsecured loans.

The statement gave no details on the restructuring programme, but it is understood that the repayment plan is divided into two parts. The first part, totalling 156m ringgit, is spread over six years and carries an interest rate one point above Singapore interbank offered rate.

The second tranche of 128m ringgit will be interest-bearing only after its sixth year, but *creditor banks will have the option* of converting second-tranche loans into Promet shares at par value from the family of Datuk Brian Chang, *Promet's chief executive* and largest shareholder.

The agreement will pave the way for Promet to be relisted on the Malaysian and Singapore stock markets. Its shares were suspended in September last year, the last traded price of 50 cents being half the par value.

Promet, a high-flier of the early 1980s, incurred a net loss of 113m ringgit for 1985 because of the *depressed property* and construction market and write-offs in its oil exploration ventures. Results for 1986 have not been published.

Malaysia Mining back in the black

BY OUR KUALA LUMPUR CORRESPONDENT

MALAYSIA MINING Corporation, one of the world's biggest tin mining groups, has reported a return to profitability with results for the half year to July showing a pre-tax profit of 20.1m ringgit (US$8m) against a loss of 4.1m ringgit a year earlier.

Profit after tax and extraordinary items was 18.9m ringgit compared with a loss of 7.9m ringgit. Turnover rose by 54 per cent to 255m ringgit. MMC is raising the interim dividend to 1.5 cents per share from 1 cent.

It said the better performance was due *to* improved tin *prices*, the realisation of cost benefits from a major retrenchment programme and lower interest charges. Tin has breached the 17 ringgit a kilogram level, compared with 14 ringgit following the market collapse in late 1985 when the International Tin Council ran out of money to support prices.

During the past three years, MMC has diversified away from tin to exploration of other minerals and engineering. It owns *46 per cent in Ashton Mining of* Australia which has a 38 per cent stake in the giant Argyle diamond venture in Western Australia.

MMC also has a 15.3 per cent interest in Sime Darby, the Malaysian conglomerate, and a decision about the future of this investment is expected soon from the board, according to Mr Ibrahim Menudin, MMC's chief executive.

NZ Petroleum share offer

NEW ZEALAND Petroleum is planning a public share offer in mid-November in the domestic market and an American depositary share issue in the US, Reuter reports from Wellington.

It said it expected to offer the shares at a discount to the current market price. The size of the New Zealand offer would not be finalised until late October or early November, but it was looking at around 14m shares. NZ Petroleum shares are trading at around NZ$2.10.

Existing ordinary shareholders would not be given any formal entitlements but would be given preference in the New Zealand allotment process, the company said. Shareholders approved the issues at the company's annual meeting in August.

NZ Petroleum said it had filed a registration statement with the US Securities and Exchange Commission for a proposed public offering of 4m American depositary receipts each representing one share.

Proceeds from both offers will be used to acquire interests in new exploration programmes outside New Zealand, some of which will be bought from associates or subsidiaries of Triton Energy, which owns 61.3 per cent of the company.

Chemical to concentrate on conventional banking

BY DAVID LASCELLES, BANKING EDITOR

THE STAFFING cut announced in London by Chemical Bank yesterday confirm that Chemical sees itself principally as a supplier of conventional banking services rather than the newer forms of investment banking.

Chemical will cease to be an active player in the primary Eurobond markets, where it has never been a major force in the new issue business. Instead, it will emphasise what it considers to be its strengths in treasury services, foreign exchange, corporate finance, leasing and mortgages.

Mr John Howland Jackson, managing director of Chemical in the UK, said: "We feel that this is commensurate with our role. If you don't have adequate clout, and market conditions are difficult, you have to take a hard-nosed approach."

The cuts, which will reduce Chemical's UK staff of 950 by 170 by next spring, fall into three broad areas.

● In the Euromarkets, Chemical will be reducing its trading staff by a half, many of them engaged in smaller markets like Australian dollars. The bank will no longer actively seek out mandates from big borrowers to lead-manage new issues of bonds and notes. But it will retain its London dealing room, and will still be able to price and underwrite issues if asked to do so by clients, or if invited into deals arranged by other banks. The sales force is also being kept on.

● In the banking group, the business origination staff is also being cut by half, and three groups specialising in particular industries like shipping will be disbanded.

● Staff in the support operations for these activities will be cut back. Much of Chemical's back office is located in Cardiff where some of the job losses will occur.

Although Chemical's operation as a whole in London - its largest overseas market - has been making profits, largely thanks to its successful treasury activities, Mr Howland Jackson said there had been losses in securities trading which he blamed on Chemical's relatively small market share and the recent weakness of the markets.

"Life for the moderately ranked player can be tough, even in good markets," he said.

The banking side had also become too large to justify its heavy expenses. Mr Howland Jackson said it needed to become "more focussed."

Following the redundancies and the reshaping of strategy, Chemical's UK operation will consist of four product groups: syndicated loans, corporate finance, mortgage finance and leasing. It will also have a home loans subsidiary and a small ticket leasing company.

Chemical will now make a greater effort to develop its advisory banking services, which command higher returns than securities dealing. Yesterday, the bank formally constituted two new divisions which had been operating informally before then.

One is corporate finance, which will specialise, among other things, in financing management buy-outs. The group is supplying the finance for the £705m buy-out by MFI from Asda, and more deals of that kind are in the pipeline.

The second division is mortgage corporate finance which specialises in wholesale funding and off balance sheet arrangements for the home loan industry.

Mr Howland Jackson said that, while it was unpleasant to have to announce redundancies, there would be "a dramatic improvement in profitability" at a time when the pressures of deregulation of debt provisions had raised concern about the strength of bank balance sheets and earnings generally.

The redundancies are part of a wider cost-saving and divestiture programme announced by Chemical last month which will eventually reduce its staff of 21,000 by 10 per cent. A number of staff have already been cut from the US operations, and more job losses will be announced in its overseas offices, though none will be as great as those in London, Mr Howland Jackson said.

Thyssen to buy stake in Ikoss

BY OUR FINANCIAL STAFF

THYSSEN, WEST Germany's largest steel group, will acquire a 33.3 per cent stake in IKO Software Service (Ikoss), better to coordinate its computer and software activities.

Thyssen has in recent years diversified into the engineering and trading field to reduce its dependence on steel. But the Ikoss stake is its first move into a computer-related company.

Ikoss, which specialises in software for the financial services sector and in industrial automation, is one of Germany's 10 largest software groups. Its sales are likely to reach DM75m ($41.4m) in 1987, up from DM53m in 1986 and from DM49m in 1985.

Some of Thyssen's engineering and machinery divisions have already begun to engage in software-related ventures, but these activities have so far been unfocused and uncoordinated, Thyssen said.

Thyssen acquired the stake from one of Ikoss' three owners, Mr Hans Joerg Stolz, for an undisclosed amount. The remaining two-thirds will continue to be held by Ikoss' two other directors. Thyssen does not intend to gain majority control.

The purchase still requires the approval of Thyssen's supervisory board and the Federal Cartel authorities.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 12

US DOLLAR STRAIGHTS — YEN STRAIGHTS — OTHER STRAIGHTS — FLOATING RATE NOTES — CONVERTIBLE BONDS — DEUTSCHE MARK STRAIGHTS — SWISS FRANC STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Australian dollar issues fall sharply

By Clare Pearson

CONFUSION OVER the scope of the West German Government's plan to introduce a 10 per cent withholding tax on interest income formed the main feature of otherwise directionless Eurobond trading in London yesterday.

Australian dollar bonds, which have been bought in large part by West German retail investors, suffered sharp falls in nervous trading yesterday morning following two press reports suggesting the tax would be applied to all interest bearing investments lodged with German financial institutions.

Issues for West German borrowers were the hardest hit, losing up to one percentage point. But later shortcovering by dealers, unable to reconcile conflicting accounts of the scope of the tax, pushed prices up by around ¾ points.

INTERNATIONAL BONDS

Reports that the West German Finance Ministry would shortly issue a statement (which failed to emerge) defining the scope of the tax left the market in a "wait and see" attitude for the rest of the day.

Australian dollar specialists were uncertain whether, if the tax were imposed, it would trigger clauses allowing the borrowers to call their bonds for early redemption at their issue prices. If so, bond prices could suffer sharp declines as successive falls in Australian interest rates have left many of the older issues trading well over par.

The closure of New York markets for a public holiday kept trading of Eurodollar bonds thin. Prices were marked down by about ⅛ points at the outset, however, in response to an easing of US Treasury bond prices in overnight trading in Tokyo.

The yield on the benchmark US Treasury 30-year bond has now risen above 10 per cent, previously thought a psychological barrier, but dealers said this might not be the ceiling, amid concerns of rising international interest rates. Tomorrow's US trade data for August forms the next main focus of attention.

Swiss franc foreign bond prices eased by about ½ point at the longer end in a thin market which was also depressed by rising world interest rates. Dealers said that, with the market ready to seize on any bad news, uncertainty over West Germany's withholding tax plans contributed to the price declines.

However, a SFr100m 5¼ per cent 10-year issue for Hydro Quebec, due to start official trading this week, was quoted in the grey market at around less ½ bid.

Banque Indosuez, as book runner, and Samuel Montagu (Suisse) as joint-lead manager, announced a SFr60m convertible issue for Hayes Resources, the Canadian mining finance company. The issue is guaranteed by Midland Bank.

The five-year bond, priced at par, pays interest at 5¼ per cent semi-annually. The conversion price is expected to be set at 10 per cent over the closing share price when terms are fixed on October 28.

Facility for Scottish Provident

By Our Euromarkets Editor

SCOTTISH PROVIDENT Institution, a mutual life assurance concern, is raising £180m through a short-term facility which will help fund its £284m acquisition of the property portfolio of Fleming Property Unit Trust.

Bank of America International has been mandated to arrange the nine-month transferable revolving facility. Banks are being invited to bid for minimum amounts of £10m at a maximum of 12.5 basis points above London interbank offered rates. The borrower will bear the first 6.25 basis points of reserve asset costs.

Separately, Deutsche Bank is to have a £200m certificate of deposit programme enabling it to issue CDs of seven days to five years' maturity. SG Warburg is arranger and other dealers will be Deutsche Bank Capital Markets, Midland Montagu and Morgan Grenfell.

Bankinter placement

By Our Euromarkets Staff

A PARCEL of shares worth about £60m in Bankinter, a Spanish full-service bank, was placed internationally last week by Warburg Securities.

About two-thirds of the shares placed represented a 5 per cent stake in Bankinter which had been held by Bank of America but was recently bought in by a Bankinter subsidiary. The remaining shares were also held within the Bankinter group.

The placing was carried out at Pta13,425.

Haig Simonian on the German markets' reaction to withholding tax

Confusion reigns in Frankfurt

FOUR DAYS after the first rumours, subsequently confirmed, of a 10 per cent withholding tax being imposed in West Germany as part of the government's tax reform package, the federal finance ministry has still to state precisely how the tax will affect Deutsche mark Eurobonds.

Meanwhile, German domestic bonds and equities fell again yesterday. The Commerzbank equity index dropped 24.2 to 1,912.4 after plunging 43 points on Friday.

Equities actually perked up in the first half-hour of trading on the Frankfurt bourse, where the floor was unusually busy at the opening. Some stocks, notably motors, recovered, but banks and insurers were under pressure again as investors reacted to the effect of the new savings and investment tax on banks' costs and the likelihood that capital would flow abroad.

"Maybe today is a good day to buy," said one dealer for a German bank, button-holed on the trading floor. "But who has the courage to buy at this level?" By the afternoon, trading outside the exchange was reported as light.

Meanwhile, domestic bonds were mixed on the exchange, although prices dropped across the board. Issues fell between DM0.20 and DM1.00, after dropping up to DM1.50 in some cases on Friday.

Municipal paper was hardest hit, with yields on five-year issues rising to 6.28 per cent from 6.05 and to 7.25 against 7.05 for 10-year paper.

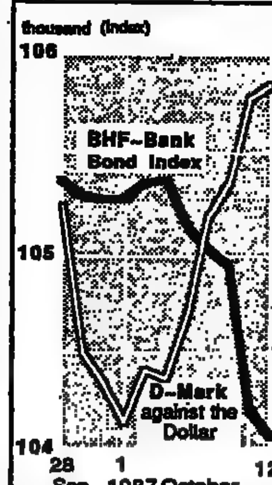
However, the government's own latest issue experienced one of the day's most embarrassing declines. Its DM4bn 6¾ per cent 10 year issue, launched last week, now looks badly mispriced. The paper had its first listing yesterday and plunged to 97.60 against its 99¾ issue price.

The uncertainty over D-Mark Eurobonds comes despite an assurance from the finance ministry on Sunday that such issues would not be affected by the new tax. New issues executives and bank lawyers in Frankfurt were convinced that the measure was unlikely let alone feasibile.

"It would be technically impossible to levy a tax on foreign issues," said a finance ministry tax expert yesterday. "Foreign issues are in principle not affected." Only last year, when the government itself was setting out the reasons against raising a withholding tax, Mr Helmut Schlesinger, Bundesbank vice president, argued that it could not affect Euro-DM funds.

However, such reasoning did little to calm the markets yesterday, with another bout of considerable confusion as a result of the government's step, described by some angry bankers as "farcical."

The reasons for the uncertainty are reports - not taken up in the German press - that all bond issues will be covered by the withholding tax. The result would be that any bondholders with D-Mark Eurobonds in Germany could find tax being witheld at source.



Investors could, of course, apply to claw back the tax payments, subject to double taxation treaties between the respective countries. More likely, they would simply shift their bonds outside Germany where no tax could be witheld on interest payments.

The continuing muddle meant that D-Mark Eurobond issues were again depressed yesterday after their substantial falls on Friday. The selling also hit foreign currency bonds issued by German borrowers, notably the high coupon Australian dollar issues which have found favour with German bank issuers and investors.

The reasons for the drop in Aussie dollar German paper are more complex. Most of these bonds are swap driven. According to one theory, investors have started to panic as they believe such bonds may be called.

The terms and conditions for the issues would certainly allow for that possibility in view of adverse tax changes. And, it is argued, some borrowers may quite like the idea of refinancing now at lower rates, "though that would obviously affect the standing of the borrower," according to one observer.

Until the German authorities come out with some clear and precise statement on their intentions, notably regarding foreign holders of D-Mark Eurobonds, it is likely that speculation about that, and other, theories will prevail.

Benetton forecasts rise in net profits of 19.5%

By Alan Friedman in Milan

BENETTON, the Italian casual clothes producer, is forecasting a consolidated net profit of around L135bn ($102m) for 1987, which would represent an increase of 19.5 per cent.

Benetton, which last year made its debut on the Milan bourse, is also predicting a rise of nearly 17 per cent in full-year 1987 turnover to around L1,260bn.

This figure does not include Benetton's financial services operations into which it has recently diversified. The group is presently assembling a Milan-based group to operate insurance, mutual funds, portfolio management, securities underwriting and corporate finance activities.

For the first half of 1987, Benetton's clothing business achieved a 45.7 per cent jump in net profits to L76.8bn. This was struck on total first-half sales of L654.6bn, a rise of 18.7 per cent on the equivalent period of 1986.

The company, founded more than 20 years ago by Mr Luciano Benetton, characterised the first six months of 1987 as "rather difficult in the Italian clothing market."

Much of the first-half growth came from outside Italy. Exports for the whole of last year accounted for 61 per cent of total turnover. The company sells its clothes through 4,000 franchised outlets in 57 countries.

Comex to launch futures based on Moody's index

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE NEW York Commodity Exchange (Comex) will make its first venture into financial instruments next month when it launches a futures contract based on a new index of investment-grade corporate bonds compiled by Moody's Investors Service.

The contract will be the second attempt at a futures contract based on an index of bonds; the Chicago Board of Trade trades an index based on municipal bonds, while the London International Financial Futures Exchange is developing a futures contract on an index of Eurodollar fixed-rate bonds.

The new index consists of 80 US bonds rated BAA or higher by Moody's, and issued by not less than 40 separate companies. Constituents would be replaced in the event of default or downgrading to below BAA. The index will be a measure of total return on bonds and will thus produce a simple numerical figure like the Standard & Poor's 500 stock index.

Moody's will collect prices from dealers and calculate the index only once a day. Mr Alan Brody, Comex chairman, said in London yesterday that he did not believe this would discourage trading and noted that indications of where the index should stand could be calculated during the day from the New York Stock Exchange ticker.

Glaxo's £746m falls well below market forecasts

BY DAVID WALLER

Glaxo Holdings, the UK's largest pharmaceuticals company, yesterday disappointed the stock-market with 1986-87 profits below analysts' most pessimistic expectations.

Although the group - best known for its anti-ulcer drug, Zantac - generated a 22 per cent rise in pre-tax profits to £746m in the year to the end of June, the figure was substantially below brokers' forecasts.

These ranged from £770m at the bottom end to £840m at the top, and the share price responded by dropping nearly 10 per cent, knocking over £1.25bn off the company's market capitalisation.

The company itself said that it had not expected to make £800m, as widely reported earlier this year, and that the profit figure achieved was ahead of budget.

Despite a 27 per cent rise in sales to £1.73bn and a 33 per cent rise in trading profits to £665m over the full year, growth in the second half showed a marked slow-down. Trading profits grew by 23 per cent in the second half, against 38 per cent in the first half.

Paul Girolami, chairman of Glaxo

Mr Paul Girolami, Glaxo's chairman, offered no explanation for the second half decline, saying that investors should rather concentrate on the company's level of investment for the future. Research and development costs had risen from £113m to £149m during the year and would continue to rise - as would marketing costs - in preparation for the launch of a range of major new drugs projected for early next decade.

He said however that the slow-down in the rate of growth in operating profits was inevitable after a 50 per cent rise in 1985 and a 38 per cent rise in 1986 and that it was impossible for profits to keep on growing at 50 per cent a year.

Mr Girolami said that sales of Zantac - which accounted for £829m of turnover against £606m in the previous year - could not be expected to be expected to grow as fast again. World market share of over 50 per cent had peaked this year and would decline in future - but only as a smaller proportion of a larger market.

Investment income less interest payable fell back from £95bn to £51m, helping to restrain the growth at the pre-tax level. A lower tax charge contributed to the 24 per cent gain at the level of earnings per share - to 67p. The dividend was raised by a total of 36 per cent for the year.

Of the £364m rise in turnover £223m came from sales of anti-ulcerants; £75m from sales of respiratory drugs; the balance from sales of systemic antibiotics.

See Lex

Unigroup chairman resigns after gift

By Martin Dickson

Unigroup, timber, building materials and clothing group, which had its shares suspended last Thursday, announced yesterday that Mr Iver Goodman had resigned as its chairman. It also revealed that not many days before the suspension Mr Goodman had given away his 5.37 per cent stake in the company to a third party, who had sold it.

The Stock Exchange is understood to be examining the circumstances surrounding the disposal, though yesterday it would only say: "We automatically look at any unusual share transactions."

Unigroup's announcement followed speculation that it might may be about to disclose disappointing results. The company refused to comment yesterday, but said a further announcement giving the preliminary figures for the 14 months to June would be made as soon as possible.

The statement said the company had been informed on Monday October 5 that Mr Goodman had "gifted" his holding of 600,000 shares. Later that day, the board was informed that the recipient of the gift had sold the shares.

The following Thursday the shares were suspended at 173p, giving the group a market capitalisation of about £22m. On Friday the board accepted Mr Goodman's resignation. The new chairman is Mr J. Malthouse, the company's recently-appointed finance director.

Mr Goodman, an accountant, and his colleague Mr Maurice Miller took control of Unigroup in 1985, buying the 17 per cent stake which had been held by the former chairman, Mr Stanley Westliff. Mr Goodman became chairman last year.

Under the new management, Unigroup, formerly known as UU Textiles, set out on the acquisition trail.

Scottish Financial

In the Scottish Financial Services survey published on October 10 reference was made in the introductory article to Edinburgh Investment Trust. The reference should have been to Edinburgh Financial Trust, which has no connection with Edinburgh Investment Trust.

Colorgen moves back to profit

Colorgen, the US-based maker of computerised colour matching systems, has moved from a loss of $1.53m (£926,000) to a pre-tax profit of $101,781 on turnover up from $1.1m to $2.67m for the year to June 30 1987.

This meets the $100,000 profit forecast by the board of the USM-quoted company when an interim loss of $264,000 was announced. Earnings per share were 1 cent (14.4 cents loss).

Mr John K. O'Brien, chairman, said Colorgen was now a profitable enterprise with sufficient working capital to carrying out working plans for growth.

In the North American market, the group was now a recognised leader in its field, and the UK subsidiary had developed launch programmes for both industrial and retail applications, with trial installations in the paint, ink, automotive coatings and paper industries at locations in Britain and continental Europe.

ABP disposals help cut cost of takeover

BY RAYMOND SNODDY

International Thomson, the Canadian publishing, travel and oil company is likely to reduce the £210m bill for the purchase of Associated Book Publishers by more than £25m through the sale of Hammicks Bookshops and Methuen.

Negotiations are well advanced for the sale of Hammicks with W.H. Smith, John Menzies and Pentos included among the bidders.

The disposal of Methuen is seen as being much more complicated and could take well into next month before a decision is reached. Two obvious candidates for Methuen are Pearson, the publishing, banking and china group which owns the Financial Times, and Octopus, recently acquired by Reed International.

Mr Michael Turner, deputy chairman and managing director of ABP said yesterday that the more specialist the publisher the more quickly they were being integrated.

DIVIDENDS ANNOUNCED

Arcolectric	int	0.42	-	0.25	-	0.72
Blanchards §	fin	2.85	Dec 1	3	4.5	4.5
ERA Group	int	1	-	-	-	0.5
Glaxo Holdings	fin	14	Jan 4	10	19	14
Lyles (S.)	fin	3.5	Jan 4	3	6.25	5.75
Medminster	fin	5	-	4.1	7.7	6.25
Ossory Estates	fin	0.1†	-	nil	0.1†	nil
Slingsby (H.C.)	int	1.2	-	1.2	-	4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Unquoted stock. ØThird market.

Samuelson gets £48m bid

Eagle Trust, the mini-conglomerate formed after a three-way merger in March, is making a recommended £48.4m offer for Samuelson Group, the television and film services company which last week reported a slump into the red, after provisions for "significant accounting errors", writes *Philip Coggan*.

On Friday, Sir John Mayhew-Sanders, Samuelson's chief executive, and Mr Richard Gane, the finance director, bought 7,000 and 7,500 ordinary shares respectively at 140p each. The Eagle offer values each Samuelson share at 221p.

Sir John said yesterday that neither he nor Mr Gane knew anything about the takeover discussions when the purchases were made. All the proper procedures had been followed, including informing the board.

Eagle confirmed that tentative approaches had been made to the Samuelson family last week, via a merger broker. Neither Sir John nor Mr Gane were involved. "The first we heard about it was on Sunday night. It's all very embarrassing" said Sir John.

The two directors had each joined the board recently and could not buy shares until after the group's preliminary results were announced last Wednesday. The Stock Exchange is understood to be looking into the transactions.

Samuelson was a stock market favourite until two years ago as the firm benefited from the growth in the video sector. The group rents out cameras, lighting systems and sound equipment in a variety of media from feature films to rock shows.

But difficult conditions in the UK feature films market and an explosion in the group's costs caused a trading slump last year. Pre-tax losses were £881,000 and because of the accounting errors the previous year's profits were marked down by £1m.

Sir John was appointed as chief executive only in March and had already succeeded in cutting costs. He reported last week that all businesses were enjoying significantly higher revenues this year and that the group as a whole was trading profitably.

The Eagle offer is six of its shares for every one in Samuelson with a cash alternative of 180p. Full acceptance of the offer would result in the issue of 124m Eagle shares and the board is also proposing a one-for-eight rights issue of 71.1m shares. The latter will raise £28.8m net and will be used to pay off the bulk of the Samuelson Group's £22m long and medium term borrowings.

The Samuelson directors have voted by a majority to approve the bid. Sir John and Mr Gane abstained. Shares in Samuelson rose 55p to 192p yesterday; those in Eagle fell 2p

One shareholder in Samuelson is actress Emma Samms - the daughter of deputy chairman Mr Michael Samuelson. But as she was last seen on television, being kidnapped by aliens from outer space in the Colbys, she may have difficulty receiving the offer document.

Philip Coggan on the rapid build-up of Eagle Trust

Predator swoops in at breakneck speed

THE EAGLE has a formidable reputation as a bird of prey and as yesterday's £48m bid for Samuelson shows, Eagle Trust is trying hard to live up to its namesake.

Earlier this year, the group was languishing as Audiotronic Holdings, an electronic equipment distributor, which had recorded three successive years of losses. Mr "Sandy" Saunders, the company doctor, had moved in 18 months earlier and by cutting costs had been able to move the group back into profit.

But Audiotronics, which renamed itself Eagle in January, remained tiny - its net assets were just £800,000. All that changed in the unusual three-way merger in March, when Eagle got together with Mitchell Somers and the Rule 535 (2) traded Midland City Partnership.

Mitchell Somers was a heavy engineering group with a bathroom fittings distribution subsidiary; MCP had interests in builders merchanting, property development and hydroponics - the science of growing animal feed in nutrient solutions rather than soil.

The deal brought a main market quote for the brash Mr John Ferriday - who with his partner Mr Richard Smith had built up MCP. "The name itself was a joke," admits Mr Ferriday. "We wanted to call the company Male Chauvinist Pig and we found some words which fitted the same initials."

Mr Ferriday provides the fast-talking deal-making skills of the new team, but a rather more traditional corporate face is provided by Mr Leslie Thomas, the chairman, who was previously chairman of Mitchell Somers.

This apparently disparate pair have worked fast to take advantage of their opportunities since teaming up in March. "I was a rugby wing-forward" says Mr Thomas "and my corporate philosophy is to run hard and keep up with the ball."

Eagle had already acquired the Pavis Group, a Nottinghamshire-based builders merchant, for £10m in June, with a simultaneous rights issue of £28m, and three further builders merchants over the next couple of months.

Distribution represents around 75 per cent of the group's pre-Samuelson turnover but Mr Ferriday has long-term diversification plans. "I believe distribution will become less fashionable early next decade but they may be a resurgence in the manufacturing sector in the middle of the nineties."

"I was concerned that there might be a hiatus" he adds "and was looking for something to fill the gap. Samuelson's business straddles manufacturing and distribution and is also in the leisure sector, which is bound to keep growing. In the circumstances it was ideal."

Eagle admits that the Samuelson management had already done its best to turn the company round. However, Mr Ferriday is still confident that he can improve the Samuelson results. "We'll go straight to the management of the subsidiaries and say that they have 'x' amount of our money and we expect to see a 12 per cent return on that in cash. Anymore and they get a pat on the back. When we've sorted it out, we can think about expansion."

It has certainly been breakneck growth and some in the City are muttering that perhaps the group's rise has been too rapid.

But Mr Thomas is unabashed about the rapidity of the group's acquisitions. "Good things in life are like number nine buses," he says, "usually they come in convoys."

Mersey Docks shares leap on approach

By IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

Mersey Docks and Harbour Company yesterday announced a very preliminary approach which might possibly lead in due course to an offer for the company.

The price of the MDHC's 10p shares jumped 85p to 460p on the news, increasing the company's market capitalisation from £75m to £92m, a rise of nearly 23 per cent.

The company refused to elaborate on its statement last night. However, the most significant recent buying of shares has been by Peel Holdings, the property company headed by Mr John Whittaker, which has built its holdings to 10 per cent during the summer.

This made it the second largest shareholder after the Government, which owns 20.67 per cent as a result of the 1971 rescue of the collapsed Mersey Docks and Harbour Board. The next significantly large holding is that of Fidelity International Management, which recently increased its 5 per cent stake to 9 per cent. Fidelity's stake belongs ultimately to the Rank Xerox Pension Fund.

Mr Whittaker is the owner of Highams, the private industrial textiles manufacturer, which in February won a nine-month struggle to take over the Manchester Ship Canal Company.

The MDHC has recovered substantially in the last three years, returning steady profits after shedding thousands of dockers' jobs and building efficient operations to handle bulk cargoes of container, timber, grain and oil.

Its share price's low for this year was only 30p but this has risen steadily, jumping eventually to 448p after plans were revealed in July for a £200m retail, leisure and office development in redundant docklands.

UK COMPANY NEWS

Era profit helped by acquisition

BY FIONA THOMPSON

Era Group, the specialist retailer, yesterday reported pre-tax profits of £861,000 for the six months to June 30, 1987, compared with a loss of £77,000 for the same period last year.

Era is the former Times Veneer company, a timber merchant and furniture manufacturer run by the Berman family. In September 1986, a new management team took control after acquiring a 29.9 per cent stake. The nature of the business changed with the acquisition in November 1986 of A.S. Royston, a wholesaler of hinges, locks and catches for £800,000; and of Lexterten, a manufacturer of high quality reproduction furniture, for £10.9m in March this year.

The original veneer business was sold back to the Berman family and this April the company changed its name to Era Group. In June, Era acquired Richard Kohnstam, an importer, distributer and retailer of models and hobbies kits for £17m.

Yesterday's results are calculated on a merger accounting basis. The £861,000 profit - the bulk contributed by Lexterten - also included an £110,000 exceptional credit. The previous management incurred a £121,000 debt which was written off by the new management last year, but after approaches to the company owing the money, £110,000 was received.

Mr David Lanfau, chairman, said the results showed the effects of the radical change in the company's activities. Richard Kohnstam was currently enjoying a record year with both sales and profits up, as was Lexterten.

Turnover for the six months was £19.46m, compared with a restated £18.67m. Earnings per 5p share were 1.2p (nil), and the directors declared an interim dividend of 1p, the first half-time dividend paid for many years. The tax charge was £301,000, against £32,000 last time.

•comment

The City was pleased with yesterday's figures. Lexterten, the reproduction furniture business, is doing very well and shows every sign of continuing to do so. Four factories supply the 33 showrooms and 70 per cent of sales are of "own furniture". Demand is high and the company is aiming for 60 showrooms in this country, then a move into western Europe. It intends to bolster manufacturing capability, probably through acquisition. However, it is the model and hobbies business which is looking like expanding fastest. Beatties, the chain of retail shops selling the Kohnstam products, have increased from 33 outlets last December to 42 now, and another six will be acquired in the next month or so. Era, still in its infancy, is keen to acquire a third retail chain, again in a specialist niche. The shares closed 9p down yesterday at 146p. Assuming pre-tax profits for the year of £5m, that puts them on a prospective p/e of between 22 and 23, not expensive given the likelihood of further acquisitions.

Aberdeen Steak float probe is sought

By Richard Tomkins

THE FORMER company secretary of Aberdeen Steak Houses, USM-quoted restaurateur, plans to ask the Stock Exchange to investigate the circumstances in which the company was granted a quotation in August 1985.

This follows last week's announcement by the company that it had settled a long-running dispute with a group of workers and former employees at its West End restaurants alleging underpayment of wages.

Aberdeen said it had agreed to pay £38,000 in full and final settlement for the claims of an unspecified number of workers, plus a contribution towards costs.

Mr Aziz Suleman, the former company secretary, said he resigned his post just before Aberdeen's flotation because he had strong reservations about the company's prospectus.

He was particularly concerned that a material contingent liability in respect of underpayment of wages to staff had not been disclosed. He said that he communicated these reservations to the Stock Exchange's quotations department.

"After assurances had been received from Aberdeen's directors and professional advisers that my allegations were without foundation, the Stock Exchange relented and gave the all-clear for Aberdeen's flotation," he said.

Mr Suleman considers that subsequent events have vindicated his reservations. He intends to ask the Stock Exchange to re-open the case and investigate the circumstances in which the flotation went ahead.

Alexon buys fellow M&S supplier in £14m package

BY MIKE SMITH

Alexon Group, clothes manufacturer and retailer, is moving into menswear and childrenswear through the acquisition of fellow Marks & Spencer supplier D & H Cohen for £14.3m.

Alexon is paying for Cohen via a package £4.67m cash, 1.2m shares and £4.5m nominal of loan notes. Cohen is cash-rich and after completion Alexon will still have cash in hand.

The acquisition means that Alexon will depend on the M & S connection for around 60 per cent of pre-tax profits with the rest coming from retailing.

Alexon plans to expand retailing, either through acquisition or organic growth, with the aim of re-establishing a 50/50 balance between retailing and Marks & Spencer.

D & H Cohen, a privately-owned company based in Glasgow, designs and markets men's and boys' trousers, ladies' and girls' skirts and some casual wear. It sells almost exclusively to M & S.

Alexon, based in the north-east of England, has previously made only ladieswear. It sees considerable potential for improving Cohen's trading margins.

In the year to June 30 Cohen made pre-tax profits of £1.6m but this included investment income. Operating profits of £963,000 were made on sales of £20m, producing trading margins of 4.7 per cent.

Alexon does not reveal manufacturing margins but last year the group as a whole made operating profits of £7.4m on sales of £58.2m, implying trading margins of 12.7 per cent.

Mr Eddie Tarr, chairman, said Alexon could improve Cohen's performance through introducing greater efficiency and investing in new equipment. The acquisition would be immediately beneficial to earnings per share.

Alexon said its Alexon brand had performed well this year and turnover was up considerably. Retail outlets have been increased to 167 from 151 last year.

On completion of yesterday's deal Mr David Cohen, a Cohen director, will join the Alexon board and he, together with existing Cohen directors Edward Dantzic and Allan Harrison, will remain on the Cohen board.

Mr Denis Cohen, 71, chairman of Cohen for the last 23 years, is retiring.

Vendors of Cohen have undertaken not to sell their shares in Alexon before December 15, 1988, other than up to 450,000 shares which may be sold between July 1 and August 31.

Cohen had net tangible assets of £10.1m on June 30.

Arcolectric ahead

Efforts made to contain overhead costs enabled Arcolectric (Holdings) to hoist pre-tax profits from £70,904 to £357,418 in the first half of 1987. Sales grew from £3.57m to £4.35m.

The company cautioned however, that costs continued to rise and because of seasonal trends, the second half might not be quite as profitable. But efficiency was improving and the future looked quite bright.

There was again no tax charge and earnings per 5p share came to 5.35p (1.06p). The interim dividend was raised from 0.25p to 0.42p - last year's final was 0.47p on £245,449 profits.

S Lyles marks time

MR JOHN LYLES, chairman of S. Lyles, West Yorkshire-based carpet yarn spinner and dyer, yesterday reported a fairly static 1986-87 but promised shareholders a better showing in the current year.

With further significant progress being made to improve performance and efficiency and current demand buoyant both at home and abroad he expected Lyles' profits to lift off the plateau of recent years.

To confirm their confidence in the future the directors are lifting the dividend for the year to end-June to 6.25p (5.75p) via a final of 3.5p (3p). A scrip issue on a one-for-one basis is also proposed.

Turnover for the year edged ahead from £15.91m to £16.37m but at the pre-tax level profits fell marginally from £552,000 to £549,000 after taking account of a £29,000 decrease in interest payable to £144,000.

Tax of £184,000 (£185,000) left earnings per 20p share at 8.95p (9p).

Shareholders approval will be sought at an extraordinary general meeting following the agm on November 30 to establish an executive share option scheme.

Mr Paul Rogan has been appointed export director of S. Lyles Sons & Company.

Hunter Saphir buys Butterkist

BY CLAY HARRIS

Hunter Saphir, the food manufacturer and distributor, is to pay an initial £8.3m for House of Clarks, whose products include the Butterkist toffee popcorn.

The acquisition comes less than a year after a management buy-out which valued House of Clarks at about £3.6m.

Hunter Saphir also announced a one-for-eight rights issue at 265p. Its shares closed 1p lower at 305p.

The proceeds will be used to raise about 80 per cent of the purchase price (the vendors will take the rest in shares) as well as £1.9m in working capital for the group. Hunter Saphir is issuing a total of 3.06m new shares.

Existing management will continue to run House of Clarks. Hunter Saphir intends to develop new products and markets.

Sales are evenly split between cinemas and multiple retailers. Popcorn, sold under the Pims name as well as Butterkist, accounts for about 60 per cent of total sales.

House of Clarks achieved pre-tax profits of £595,000 on sales of £5.51m in the year to March 31. Hunter Saphir will make additional payment, in shares, based on 4.5 times pre-tax profits in excess of £540,000 in each of the two years to March 31 1989.

The new acquisition will account for about one-tenth of the business of the enlarged group, which earlier this year bought three companies from S&W Berisford, the sugar producer and commodity trader, and the smaller Emile Tissot foods.

The controlling Saphir family will sell most of its rights to enable it to take up the balance. Its voting control will fall from 57 per cent to 53 per cent as a result, including the nearly 20 per cent stake beneficially owned by Berisford, which is to take up its rights in full.

Berry Trust

Berry Trust and the Northern Securities Trust, which are formulating proposals for their partial unitisation, have appointed Kleinwort Benson to seek offers for their portfolios of unquoted investments. The trusts, which are both managed by GT, announced separately in July that they intended to be partially unitised.

Bonar Canada up 25%

Bonar Inc, Canadian subsidiary of Low & Bonar, the packaging, plastics, textiles and electronics group, increased pre-tax profits by 25 per cent from C$7.85m to C$9.84m (£4.56m) on turnover up from C$116.2m to C$147.11m (£68.26m) in the nine months to August 29 1987.

The directors reported that fourth quarter sales activity was steady and were optimistic the usual strong last quarter would result. With the conversion of outstanding warrants by the closing date of October 31, Bonar expects to show an even better balance sheet at the year end.

After taxes of C$4.02m (C$2.87m), earnings per share worked out at C$1.29 (C$1.17 after extraordinary item).

Storehouse

Associates of Benlox, which is making an audacious £1.9bn bid for Storehouse, have bought more shares in the retailing group.

The Stock Exchange was notified yesterday that Mr Andrew Millar, chairman of Benlox, and his family's interests had bought a further 200,000 shares at 402p, while Bolton House Securities had bought 100,000 at the same price.

UK COMPANY NEWS

Blanchards disappoints with a 33% fall to £0.56m

BY PHILIP COGGAN

Blanchards, interior design group, disappointed the City yesterday by reporting preliminary profits down by almost a third to £562,000 (£833,000) in the year to June 30. Chase Manhattan Securities, the company's broker, was forecasting an increase in profits to £975,000.

The reduced profits came despite a £200,000 contribution from two acquisitions made during the year, First Architecture and Moyses Stevens. Earnings per share were 30.4 per cent lower at 6.4p (9.2p) and the final dividend is being cut to 2.85p (3p) for an unchanged total of 4.5p.

Turnover increased from £8.05m to £8.64m.

Most divisions experienced poor results. In the Middle East, profits fell from £396,000 to £316,000 thanks to the lower oil price and increased political tension and North African profits dropped back to £57,000 from £175,000.

In the UK contracts to refit residential properties involved much more building work than previously and which hit margins. Profits at the estates company fell from £104,000 to £42,000 as the division expanded its range of activities to include design and rental. The extra overheads did not result in increased profits last year but the company hopes that it will do so this time.

The landscape division, which has only recently started trading, lost £70,000 and losses at the Bristol subsidiary, which sells kitchen and bathroom fittings, increased to £125,000.

However, Mr Alexander Aldbrook, managing director, believes that the recent acquisitions, including Mirabelle Designs, represent a seachange in the fortunes of the group.

"In the past," he said, "we were perceived as being heavily exposed to the Middle East, with all the ups and downs that implied. But this year, the Middle East will represent less than 20 per cent of turnover."

Emphasis has shifted to UK business, based on fee income rather than fixed price contracts. The directors expect to report greatly improved results for the present year, although they say that progress will not be reflected at the interim stage.

The shares fell 17p to 143p.

New Press team unveiled

BY CLAY HARRIS

SHARES in Press Tools jumped 100p to 540p yesterday after Mr Gregory Hutchings unveiled the management team to lead the development of the small engineering group into an acquisitive holding company.

Press appointed two top executives, both of whom recently bought equity stakes at below market price from Mr Hutchings, chief executive of F.H. Tomkins, the industrial group.

It also outlined its corporate objective of assembling a number of entrepreneurs under the Press umbrella, each with considerable operating autonomy. The small central team will supply financial controls and corporate expertise.

Mr Brian Disbury, partner with accountants Touche Ross, will become chief executive. Mr David Williams, a director and head of mergers and acquisitions at Johnson Fry Corporate Finance, has been appointed development director.

Mr Hutchings, who will become non-executive deputy chairman of Press next month, said he had the two men in mind to run the company when he bought his initial 32.7 per cent stake in August, later increased to 49 per cent as the result of a rights issue.

Both had previously declined his invitations to join Tomkins. Mr Disbury had undertaken the investigations leading to most of Tomkins' acquisitions.

Last week, Mr Hutchings sold 7.9 per cent of Press to Mr Disbury and 3.8 per cent, with an option on a further 0.6 per cent, to Mr Williams. As a result, his shareholding has returned to about 33 per cent.

Mr Hutchings declined yesterday to specify his total investment in Press, how much he had recouped through the share sales, and at what price he had sold to his new colleagues. He bought his initial stake in August for 210p, a total of £1.65m.

The market capitalisation of Press, nearly £26m yesterday, is about 12 times higher than before Mr Hutchings bought into the company.

Acquisitions lift Ossory to £1.9m

Boosted by acquisitions, Ossory Estates, property investment and development group which changed its name from Stewart Nairn Group last January, has produced a pre-tax profit of £1.86m for the to June 30 compared with a loss of £410,000 for the previous year.

Net asset value at the year end had increased from 12.2p to 15p per share basic, and 13.5p (10.9p) fully diluted. Since the acquisition of the Imperial portfolio and Royton Industries after the year end, the proforma net asset value has increased 23 per cent to 20.2p per share. The gearing ratio has been reduced from 161 per cent to 85 per cent of shareholders funds.

The directors said the UK subsidiaries have made a substantial contribution to profits.

Turnover increased from £10.92m to £17.17m. There is a dividend of 0.1p per 5p ordinary, the first payment since 1980.

Medminster boosted by furniture hire to £0.9m.

Fuelled by a substantial increase in turnover of its furniture hire division, Medminster yesterday reported a 61 per cent increase from £573,000 to £922,000 in pre-tax profits for the year to end June.

After tax of £343,000 (£220,000) earnings per 10p share emerge at 23.44p (17.67p) and the dividend total goes up from6.25p to 7.7p with a proposed final payment of 5p.

Mr John Delaney, chairman, said that stricter controls over costs had also increased profitability of the furniture division. Shipping and freight forwarding also reported substantially *improved* results, which were unaffected by the set-up costs of the new London office.

Commenting on prospects, Mr Delaney said he could see no reason why Medminster should not perpetuate this growth. The directors will be looking to expand the company's interests with the acquisition of an antique furniture retailing business.

Turnover for the year rose from £11.71m to £12.71m and the operating profit from £862,000 to £947,000 reflecting an improvement from 5.7 to 7.5 per cent in margins. Investment income amounted to £4,482 (£19,003) while interest payable and similar charges dropped sharply from £108,000 to £30,000.

Aberdeen American Pet. cuts loss in first half

A combination of the continuing strength of the oil price, a reduction in operating costs per barrel and reduced administration expenses helped Aberdeen American Petroleum Company to cut pre-tax losses from £1.29m to £32,181 in the first half of 1987. Turnover, however, fell from £1.18m to £482,765.

The company, which bought interests in five producing gas wells in Poplarville Field in Pearl River County, Mississippi during July, continued to evaluate a variety of possibilities for new acquisitions which could further accelerate expansion of activities and improvement in financial results. Purchases made during the year so far were now estimated to total 411,000 net equivalent barrels of oil.

Gross profit amounted to £104,633 (£133,472); additional depreciation and depletion was nil compared with (£913,872); exploration costs, £12,619 (£172,488); administration expenses, £153,553 (£364,339); operating losses, £61,539 (£1.32m); interest receivable and other income, £29,358 (£33,718); interest payable and similar charges, nil (£7,704); tax charges, nil (£2,462 credit); and minorities, nil (£1,094 credit).

Bricom reduces stake in Scot National Trust

BY CLAY HARRIS

Bricom, the British & Commonwealth Holdings subsidiary, has reduced its stake in Scottish National Trust, recently converted to a split-level investment trust, to 20.7 per cent of capital shares and 10.55 per cent of income shares.

The "top-slicing" disposal had been intended for some time but was delayed by Bricom's position as an insider - with 25 per cent of SNT before the conversion.

Gartmore, the B&C subsidiary which manages SNT, said yesterday that the reconstruction of the trust was achieved within an hour of shareholders' vote of approval through a programme trade between Gartmore Scotland and Phillips & Drew involving more than £200m of securities.

● The High Court in London yesterday sanctioned the scheme of arrangement through which B&C is buying back and cancelling most of the shares owned by Caledonia Investments, the Cayzer family vehicle which was formerly its dominant shareholder.

Finlan/Baltic

Finlan, the paper and building materials distributor, has failed in its bid to take over Baltic Saw Mills, a private company based in Tunbridge Wells.

The company said its offer lapsed after an "inexplicable reluctance" on the part of the Baltic board to recommend it.

Acceptances were received on behalf of 35.5 per cent of the ordinary shares and 46 per cent of the preference shares.

ILG sells its stake in Owners Abroad

By Dina Medland

International Leisure Group, package holiday, airline and hotel operator, has sold its 9.88 per cent stake in Owners Abroad, the tour operator and airline seat broker.

This follows the sale of a 5.18 per cent stake in Owners Abroad by two Midlands-based businessmen, Mr John Ferriday and Mr Richard Smith, on October 5.

Mr Robert Smart, a director of ILG, said the near-10 per cent stake in Owners Abroad had been "held as a trading investment and we could not resist taking a profit".

ILG bought the stake in Owners Abroad at an average of 110p and sold at 128p, giving a profit of almost £1m before expenses.

Mr Smart said the stake had gone into disparate hands and he was "reasonably confident that they are not unfriendly ones."

Mr Ferriday and Mr Smith, on the board of Eagle Trust, a mini-conglomerate, bought their stake in a personal capacity in early August, and said they would be contacting Mr Howard Klein, chairman of Owners Abroad, for talks.

H C Slingsby boost

H.C. Slingsby, manufacturer of trucks and ladders, increased pre-tax profits by 22 per cent from £132,944 to £160,670 on turnover up from £3.26m to £3.67m for the six months ending June 30 1987.

After tax of £59,000 (£49,000), earnings share increased 23 per cent to 10.2p (8.3p). An unchanged interim dividend of 1.2p was declared.

The board said that the results showed steady progress from the position at the end of last year - when profits were down from £296,000 to £224,000.

Yellow Advertiser

Mr Ian Fletcher, chairman of the Yellow Advertiser Newspaper Group, reported a £1.79m surge in profits to £3.08m pretax for the year to end-June 1987.

He said the results reflected continued volume and revenue growth with substantial improvements in profitability of both the publishing and printing operations.

Turnover pushed ahead from £22.83m to £27.76m. Tax accounted for £1.07m (£554,827) and extraordinary provisions for £380,577 (nil).

Since year-end the group, unquoted and the largest independent publisher of free newspapers in Britain, has acquired the outstanding balance in Comet Newspapers. The purchase will increase its circulation to over two million copies a week.

UK COMPANY NEWS

TIP-Europe plans London and Amsterdam listing

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

TIP-Europe, the trailer rental group, yesterday announced plans to apply for a simultaneous dual listing on the London and Amsterdam stock exchanges.

Mr Callum McCarthy, a director of Kleinwort Benson, said 25 per cent of the company's shares would be sold by way of an offer for sale expected to raise around £25m.

This values TIP at around £100m, compared to the £60m paid by a management-led buy-out consortium which bought the company 15 months ago from Gelco, the US container and transport leasing company.

Mr McCarthy said 80 per cent of the shares to be sold would be offered on the London market, with the balance available in Amsterdam. The prospectus is expected to be issued shortly.

The decision to apply for a joint listing reflects TIP's corporate structure, under which senior management is split between headquarters in Amsterdam and Watford, near London.

Mr Jim Cleary, chairman of TIP, said the company believed it was important to stress its commitment to the Continental European market, which provides 50 per cent of its revenue.

He said the proceeds from the flotation would leave the company virtually debt-free and well placed to take full advantage of the growth potential in the rental market.

TIP is the largest trailer rental operator in western Europe, with around 26 per cent of the market, but faces increasing competition.

Rented trailers account for around 12 per cent of the UK trailer market, and some 7-9 per cent in western Europe overall, compared with 3-5 per cent five years ago. Further growth is expected.

TIP increased pre-tax profits by 51 per cent last year, to £7.2m, on turnover up 26 per cent to £32.3m.

The issue is sponsored by Kleinwort Benson in London and Nederlandse Credict Bank in Amsterdam. Brokers to the issue are Phillips & Drew, and Kleinwort Grieveson.

Morrison pref. offer closes

The offer of 46.65m 5¼ per cent cumulative redeemable convertible preference shares by Wm Morrison Supermarkets, operator of 37 superstores in the north of England, has closed.

Prior to the placing and open offer, certain shareholders undertook not to subscribe for the convertible preference to which they were entitled. The remaining shareholders took up 76.5 per cent of the convertible preference, or 37.9 per cent of the total issue.

The balance of 28,956,635 or 62.1 per cent of the total issue will be taken up by those with whom the shares were conditionally placed.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Rea Brothers: director A.A. Hall sold 14,000 ordinary and no longer has any interest in the company.

Corton Beach: on October 8 director K.L.T. Pratt bought 20,000 at 120p.

Brent Walker Group: on October 9 director W. Aquilina sold 37,192 ordinary at 414p.

Entertainment Production Services: director P.H.Dobson acquired 400,000 shares.

Regina Health and Beauty Products: on October 6 director Gerald J. Simler sold 475,000 shares at 94.75p.

Tranwood: J.N. Oppenheim has bought 250,000 shares at 58.5p a share and his beneficial interests are 5,000,000 and 525,000 warrants. P.R.S. Earl has bought 50,000 shares at 58.5p a share and holds 7,800,000 ordinary and 750,000 warrants. On October 6 director G.J. Chalk purchased 30,000 ordinary at 62.5p and now holds 750,000 ordinary and 72,000 warrants. On the same day F.G. Calonder, also a director, purchased 28,000 ordinary at 58.5p and now holds 778,000 ordinary and 72,000 warrants.

David S. Smith: the following directors have sold shares at 450p: W.N. Greig 181,921, trust associatd with Mr Greig 39,624, B.Smith 140,000, B. Smith children's trust 8,000 and O.A. Stratton 50,000.

New Darien Oil & Gas: Bryson Oil & Gas has acquired a further 200,000 ordinary, bringing its holding to 16.98 per cent.

NOTICE OF REDEMPTION

U.S.$150,000,000

BANK OF MONTREAL
(A Canadian Chartered Bank)

16¼% Debentures, Series 7, Due 1991

To the holders of 16¼% Debentures, Series 7, Due 1991 of BANK OF MONTREAL

NOTICE IS HEREBY GIVEN pursuant to the provisions of the Trust Indenture dated as of February 1, 1978 between Bank of Montreal (the "Bank") and The Royal Trust Company, as Trustee, and Indentures supplemental thereto including the Seventh Supplemental Trust Indenture dated as of December 1, 1981 (collectively, the "Indenture") that all of the 16¼% Debentures, Series 7, Due 1991 (the "Debentures") of the Bank outstanding under the Indenture will be redeemed on December 1, 1987 (the "Redemption Date") at a price equal to 101.50% of the principal amount thereof (the "Redemption Price").

The Redemption Date being an interest payment date on the Debentures, there is no accrued interest payable on redemption. Interest on December 1, 1987 will be paid in the usual manner.

On the Redemption Date the Redemption Price will become due and payable on all Debentures. The Redemption Price will be paid in lawful money of the United States of America on presentation and surrender of the Debentures, together with the interest coupons appertaining thereto maturing after the Redemption Date, at the main office of any one of Bank of Montreal in London, Bank of Montreal Trust Company in New York City, Bank of Montreal in Montreal, Morgan Guaranty Trust Company of New York in Brussels, Union de Banques Suisses (Luxembourg) S.A. in Luxembourg and Union Bank of Switzerland in Zurich. If the Debentures are surrendered in New York City certain certifications or information may be required in order to obtain relief or exemption from U.S. withholding taxes.

AND NOTICE IS FURTHER GIVEN that interest upon the principal amount of the Debentures shall cease to be payable from and after the Redemption Date.

BANK OF MONTREAL
By: Pierre G. Bourgeau, Secretary

DATED: October 13, 1987.

NOTICE OF REDEMPTION
To the Holders of

Exxon Finance N.V.

10¼% Guaranteed Notes Due November 1, 1989
*Cusip Number 301984 AB 4

NOTICE IS HEREBY GIVEN to the holders of 10¼% Guaranteed Notes due November 1, 1989 (the "Notes") of Exxon Finance N.V. (the "Company") pursuant to Section 15.02 of the Indenture dated as of September 15, 1982 among the Company, Exxon Corporation, Guarantor and Manufacturers Hanover Trust Company, Trustee, and the provisions of the Notes that the Company has exercised its option to redeem all of the outstanding Notes on November 1, 1987 (the "Redemption Date") at 100% of the principal amount thereof (the "Redemption Price") plus accrued interest to the Redemption Date. Interest on the Notes will cease to accrue on and after November 1, 1987.

The Redemption Price on the Registered Notes will be paid on or after November 1, 1987 upon surrender of the Notes at the offices of the Trustee listed below or at the offices of the Paying Agents listed below for paying the Coupon Notes. The method of delivery of the Notes is at the option and risk of the holder, but if mail is used, Registered Mail is suggested.

If by hand to:	*If by mail to:*
Manufacturers Hanover Trust Company Debt Operations Window 40 Wall Street B-M Level New York, N.Y.	Manufacturers Hanover Trust Company P.O. Box 2862—G P.O. Station New York, N.Y. 10116-2862

The interest due November 1, 1987 on the Registered Notes will be paid in the usual manner.

The Redemption Price on the Coupon Notes will be paid, subject to applicable laws and regulations, on or after November 1, 1987 upon surrender of the Notes with the May 1, 1988 and subsequent coupons attached only at the offices of the following Paying Agents:

Manufacturers Hanover Trust Company 1 Gerry Raffles Square London E15 1XG ENGLAND	Banque Bruxelles Lambert Avenue Marnix 24 B-1050 Brussels BELGIUM
Manufacturers Hanover Trust Company Stockerstrasse 33 Zurich SWITZERLAND	Manufacturers Hanover Trust Company Bockenheimer Landstrasse 51-53 Frankfurt WEST GERMANY
Manufacturers Hanover Bank Luxembourg S.A. 39 Boulevard Prince Henri LUXEMBOURG	Banque Worms 45 Boulevard Haussmann 75427 Paris, Cedex 09 FRANCE

The November 1, 1987 coupon should be detached and presented for payment in the usual manner.

IMPORTANT TAX INFORMATION

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the Trustee or Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed W-9, exemption certificate or equivalent when presenting your Notes.

EXXON FINANCE N.V.

Dated: September 28, 1987

*No representation is made as to Correctness of the CUSIP number either as printed on the Notes or as contained in this Notice of Redemption.

Re The Bank of Nova Scotia
AUS $60,000,000 14 3/8% Deposit Notes due 27 February, 1989
The Bank of Nova Scotia
AUS $50,000,000 14 3/8% Deposit Notes due 1990
The Bank of Nova Scotia
NZ $50,000,000 18 1/4% Deposit Notes due 14 April, 1989
The Bank of Nova Scotia
NZ $50,000,000 16 1/8% Deposit Notes due 20 March, 1989
The Bank of Nova Scotia
NZ $50,000,000 18 1/2% Deposit Notes due 1989
The Bank of Nova Scotia
US $150,000,000 7 7/8% Deposit Notes due 30 June, 1991
The Bank of Nova Scotia
120,000 Warrants to Put on June 30, 1989
US $120,000,000 of the 7 7/8% Deposit Notes due 30 June, 1991
The Bank of Nova Scotia
US $300,000,000 Floating Rate Subordinated Capital Debentures due 2085
The Bank of Nova Scotia
US $200,000,000 Floating Rate Debentures due July, 1994
Scotia Mortgage Corporation
CDN $100,000,000 10% Medium Term Notes due 1991
Scotia Mortgage Corporation
CDN $100,000,000 9 3/4% Medium Term Adjustable Notes due 1991
Scotia Mortgage Corporation
CDN $100,000,000 8 3/4% Medium Term Notes due 1992
(Collectively, herein referred to as the "Securities")

To: The holders of any of the Securities

Pursuant to the terms and conditions attaching to the Securities, holders of any of the Securities are hereby given notice that effective October 30, 1987, The Bank of Nova Scotia, Brussels Branch, 68 Boulevard de l'Imperatrice, B-1000, Brussels, Belgium will no longer act as a paying agent in respect of the Securities.
Dated 18th day of September, 1987

THE BANK OF NOVA SCOTIA
SCOTIA MORTGAGE CORPORATION

UK COMPANY NEWS

High response for Lee Intl cash offer

BY CLAY HARRIS

Almost all independent shareholders in **Lee International**, film lighting manufacturer and supplier, which is being taken private in a £198m leveraged buy-out, have accepted the cash terms rather than the unlisted shares in Westward Communications, the US-based takeover vehicle.

Westward yesterday closed the 360p cash offer, which had been accepted on behalf of 32.7 per cent of Lee shares. The parallel one-for-one share offer has been accepted by 63.8 per cent so far, of which the controlling management group accounts for all but 5.7 per cent.

The buy-out, which was launched as part of Lee's $100m (£61m) acquisition of Panavision, US camera and lens group, is being financed by Citicorp, US bank.

The level of cash acceptances means that Westward will commence business with estimated net liabilities of more than £81m. The figure would have been £11.5m higher if all the non-management shareholders had taken cash.

Lee's independent directors had warned shareholders that the enlarged group faced not only a high level of borrowings but also high earnings dilution in the short to medium term.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

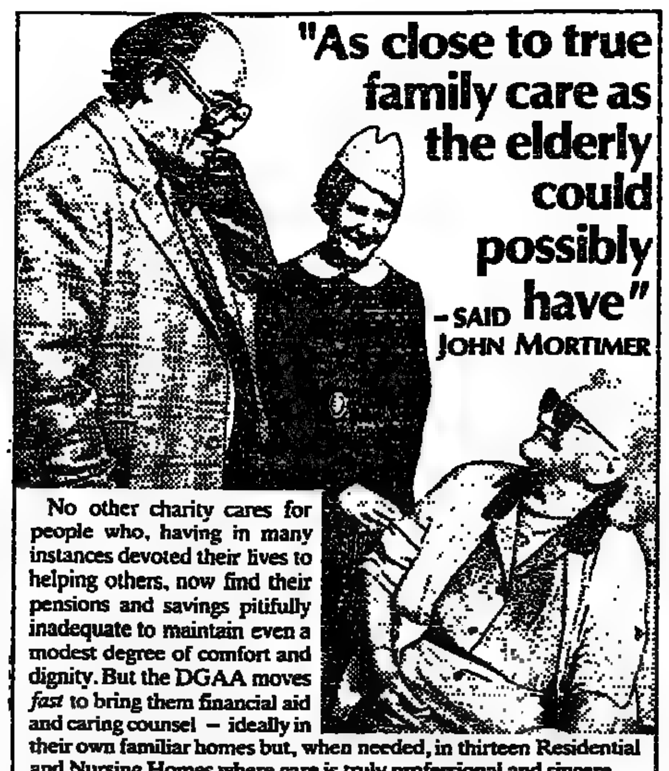
TODAY

Interims- Alexander Workwear, Brown & Jackson, Cecil Gee.

Finals- none announced

FUTURE DATES

Interims-	
Aitken Hume	Oct 19
Alfa-Laval AB	Oct 14
BAA	Nov 24
British & American Film	Oct 22
Clayton Son	Oct 30
Dewes & Newman	Oct 20
De La Rue	Nov 10
Ferguson Industrial	Oct 19
First Charlotte Assets	Oct 20
Hammerson Property Inv.	Oct 22
House of Lerose	Oct 21
Kingsley & Forester	Oct 15
PLM	Oct 29
Runciman (Walter)	Oct 16
Scantro Holdings	Oct 19
Toshiba Corporation	Oct 27
Vivat Holdings	Oct 22
Finals-	
Bailey (C H.)	Nov 9
Fisher (Albert)	Oct 15
Highland Electronics	Oct 16



No other charity cares for people who, having in many instances devoted their lives to helping others, now find their pensions and savings pitifully inadequate to maintain even a modest degree of comfort and dignity. But the DGAA moves *fast* to bring them financial aid and caring counsel — ideally in their own familiar homes but, when needed, in thirteen Residential and Nursing Homes where care is truly professional and sincere.

For ninety years we have maintained our unique service, but without direct State aid, we depend very much on donations from thoughtful, sharing people like you. *Please, please help – while you are able.*

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Founded 1897. Patron H.M. Queen Elizabeth, the Queen Mother
Dept 7, Vicarage Gate House, Vicarage Gate, London W8 4AQ. Tel: 01-229 9341
"HELP THEM GROW OLD WITH DIGNITY"
(Please make cheques payable to "DGAA")

At Dr Barnardo's 81p in every pound used goes directly to our work with handicapped or deprived children, young people, and their families. . . . Please help.

For further information contact Peter Ford, Industrial Appeals Director, Dr Barnardo's, Dept FT1, Tanners Lane, Barkingside, Essex IG6 1QG.
Telephone: 01-550 8822

Registered Charity No. 216250

YOU and Dr Barnardo's CARE AT WORK

Commercial success: a healthy basis for pharmaceutical research.

A pharmaceuticals company that is in poor financial shape can't do much to help improve anyone else's health. Only commercial success makes possible the expensive research required for the development of new medicines.

One small tablet that can help many people is worth much more than the powder from which it is made. It also represents a large amount of knowledge acquired through intensive research efforts. Indeed, the expenditure that has gone into a medicine by the time it is officially approved for use may amount to as much as DM 250 million.

The road from the discovery of a new drug up to its approval by national health authorities is a long one. But research continues even after a new medicine has been made available to physicians and patients: testing for further therapeutic applications, monitoring side effects, conducting new scientific investigations.

All of this has its price. Bayer researchers can continue their successful work only if the company stays in sound financial health. The same holds true for all products marketed by Bayer worldwide, including engineering plastics, rubber, dyes, fibres, crop protection agents and photographic technology.

BUSINESS DEVELOPMENT

1987 During the first six months, Bayer Group sales declined by 6.8 per cent to DM 19,032 million. The decline was mainly due to exchange rate fluctuations. Profit before income taxes rose 4.0 per cent to DM 1,552 million.

Bayer AG sales decreased by 4.8 per cent to DM 8,656 million. Profit before income taxes rose by 5.5 per cent, reaching DM 870 million.

1986 Sales Bayer Group: DM 40,749 million. Share of sales outside West Germany: 79 per cent.

Sales Bayer AG: DM 16,774 million. Export share: 66.1 per cent.

Bayer Group capital investment: DM 2,373 million, of which DM 1,411 million in West Germany. Expenditure for research: DM 2,074 million, of which DM 1,176 million at Bayer AG.

After-tax profits for Bayer Group: DM 1,491 million; for Bayer AG: DM 839 million.

Dividend for 1986: DM 10 per share of DM 50 nominal.

Total dividend payments: DM 589 million on capital stock of DM 2,946 million distributed to some 320,000 shareholders.

For further information on Bayer, please contact Bayer AG, Public Relations Department, D-5090 Leverkusen, West Germany.

Bayer Aktiengesellschaft, Leverkusen

Bayer

NORTHERN IRELAND

The Financial Times proposes to publish a Survey on the above on Thursday, December 3, 1987

Topics proposed for discussion include:

OVERVIEW	ENERGY
INDUSTRY	RETAIL PROPERTY
THE ECONOMY	COMMUNICATIONS
INDUSTRIAL DEVELOPMENT	POLITICS
BANKING & FINANCE	TOURISM
COMPUTER SOFTWARE	AGRICULTURE
SMALL BUSINESS	

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on 061-834 9381
or write to him at
Alexandra Buildings, Queen Street
Manchester M2 5LF
Telex: 666813

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON · FRANKFURT · NEW YORK

lyonnaise des eaux

The Board of Directors of Lyonnaise des Eaux met on September 30 and examined the results of the Company and of the Group for the first half of 1987, as shown in the following table:

	Company			Group		
	30.6.86 million FF	30.6.87 million FF	Variation %	30.6.86 million FF	30.6.87 million FF	Variation %
Turnover	1,544	1,691	+9.5%	7,026	7,856	+11.8%
Net result	69.3	77.6	+12.1%	255	286	+12.1%
Net result (group share)				172	201	+16.8%

During the first half of 1987, the different sectors of activity of the Group have shown a satisfactory progression, in accordance with forecasts.
The activity of the first half, which is up by 9.5% for the Company, has been sustained. The more important progression of the consolidated turnover is due mainly to changes of perimeter.
The net result of the Company reached 77.6 MF (against 69.3 MF), an increase of 12.1%. The consolidated result reaches 201 MF for the group share (against 172 MF) and shows an increase of 16.8%, further to amortizations and provisions which have increased by 22%.
The development shown during the first half of the year, both for activities and for results, should on the basis of indications now available, continue favourably throughout the year 1987.

Bowthorpe Holdings PLC

has acquired

Atlantic Scientific Corporation

The undersigned initiated this transaction on behalf of Bowthorpe Holdings PLC

Hill Samuel & Co. Limited
100 Wood Street, London EC2P 2AJ.

September 1987

BNP	Agip	adidas
KPMG	TDK	GE
STC	TNT	KLM Royal Dutch Airlines
BBC	ICI	ABN Bank

WHICH ONE IS NEW?

You probably recognize all but one of these famous company names.

May we introduce the newcomer – KPMG.

Previously, as Peat Marwick and KMG we were, of course, well known.

Now we have come together to form the world's largest firm of accountants and consultants. A firm that happens to have worked with all of these famous names.

We haven't merged in order to be the largest, but to provide an even greater breadth and depth of service than before.

Through our 650 offices in over 100 countries we provide integrated accounting, auditing, tax and management consulting anywhere in the world.

Through our policy of total commitment to client service we offer clients large and small the close, personal attention of a partner.

KPMG – initially you may not have recognized us. Now you will.

COMMODITIES AND AGRICULTURE

Alcoa to reclaim Jamaican plant

BY CANUTE JAMES IN KINGSTON

THE ALUMINUM Company of America (Alcoa) is to reclaim its 800,000 tonnes a year bauxite refinery in Central Jamaica following a Jamaican Government ultimatum last week to the company to take a decision on the plant's future. The refinery is being operated by Clarendon Alumina Productions, a state-owned company, which leased the facility from Alcoa when the company closed it in February 1985.

Mr Hugh Hart, Jamaica's Mining Minister, had publicly asked Alcoa to decide whether it would go ahead with an earlier plan to sell the plant to the Government or reactivate a joint venture under which the facility was run before it was leased. A statement from Alcoa yesterday said it would exercise its right to reactivate Jamalco, the joint venture under which the Jamaican Government owns 6 per cent of the company. Alcoa said its move will take effect in February.

Mr Hart had said the company was told that it should take "immediate action" on the facility and that a reply from Alcoa was expected "in a matter of days."

When Alcoa closed the plant in 1985 it claimed there was a glut of alumina (aluminium oxide) and that the company's system was over supplied. The plant was reopened six months later by Clarendon Alumina Productions which gave Alcoa a management contract for the facility.

According to Government figures Clarendon Alumina Productions is operating the refinery at full capacity, and selling the output to commodity brokers. When Alcoa closed the plant, output was at an annualised rate of 250,000 tonnes.

The Government's intention to purchase the refinery was announced in April by Mr Edward Seaga, the Prime Minister and Finance Minister, who said his administration and Alcoa were close to an agreement. He said the plant would be paid for with raw ore and alumina delivered by the Government to Alcoa over a period to be negotiated, and that the transaction would not involve any cash payments.

Mr Hart, however, indicated that the Government had been angered by an apparent change of mind on the part of Alcoa. He said the company had told the Government in March that it was "absolutely satisfied" that the sale of the refinery could be negotiated.

"However, about three weeks ago Alcoa said that they had a change of mind," Mr Hart said. "No longer did they wish to sell. They now wanted to reactivate an old joint venture agreement."

In agreeing to consider a joint venture, the Government said one possible model would be based on guarantees for "every reasonable protection for the plant, its ability to produce at full capacity, its immediate expansion and the security of jobs." The row between the Government and the company appears, however, to have its roots in the administration's insistence that any joint venture would bind Alcoa to operating the plant on the terms under which it did up to the closure in February 1985, including the same level of taxes.

Jamaica is the world's third largest producer of bauxite, after Australia and Guinea, but the North American companies involved in mining and refining on the island have been unhappy about a production tax unilaterally levied on them 12 years ago. The levy is pegged at 6 per cent of the average realised market price for alumina ingot sold in North America. Alcoa is reported to have been seeking a reduction in the tax rate as a condition for entering a joint venture with the Government.

"Alcoa wants to have the best of both worlds," the Minister said. "We are quite aware of what Alcoa did under the old joint venture agreement in February 1985."

Making the disagreements public at this time is also seen by the industry as an attempt to force Alcoa into a decision on the construction of a new $35m lake close to the refinery for storing the acidic residue from the plant. The existing lake is almost full, and Government officials say the plant's operations could be adversely affected if work on a new lake is not started soon.

But the issue is shrouded in still undecided legal arguments, with Government officials insisting that Clarendon Alumina Productions, the lessee, can decide on the construction of the lake, while another opinion holds that as the effective owners, only Alcoa can approve the construction.

Government officials, however, have bluntly refused to comment on suggestions that the administration has been unable to obtain financing for the new lake. The Government recently received a $26m loan from the European Community for the building of the lake, and said the other $9m would be raised from its own resources.

Tobacco arouses smouldering passions

In the seventh article of our series on European Commission plans to cut the spiralling cost of EC farm policies, TIM DICKSON looks at some of the contradictions inherent in the tobacco regime.

EUROPEAN TOBACCO growers account for just 40-45 per cent of the Community's processing needs; surplus stocks are virtually non-existent; and over the past four years budgetary expenditure on the sector has been remarkably flat, at least by the standards of other market regimes.

It would be wrong, however, to suggest that the EC's tobacco policy is comfortably under control or that it will not feature prominently in the key ministerial discussions due to take place next week on agricultural stabilisers.

For the truth is that a significant proportion of European tobacco (notably the poorer varieties) can find no market outlet, severe structural problems in the southern states of the Community continue to limit the scope for remedial action, while the tortuously complex regime remains one of the most difficult to administer within the Common Agricultural Policy.

On top of this one-third of Community production is dependent on potentially unstable export markets like Cuba and Bulgaria.

The European Commission last month outlined potentially tough proposals "to strengthen the market stabilising machinery" at its disposal, including notably plans for an overall production ceiling which, as things stand, would be around 10 per cent below the current level of output. The expectation in Brussels is that the negotiations over its implementation are likely to prove just as fraught as the proposed changes in other sectors.

The EC's tobacco regime arouses smouldering passions on all sides, not least from the anti-smoking lobby, which is never slow to highlight the obvious contradictions between the Community's Ecu 50m campaign against cancer (part of which is aimed at encouraging governments to increase taxes on cigarettes) and the Ecu 862m likely to be spent by Brussels on supporting tobacco growers this year. That issue is unlikely to go away given the special "week against cancer" planned for next May and the upcoming 1989 "European year of information against cancer."

Political heat of a different sort in the producing regions of Italy and Greece, however, has consistently frustrated efforts to cut back aid to producers. The Greeks, for example, get 30 per cent of all the money paid to them out of the agricultural budget from the tobacco regime, while the original introduction of a Community-wide market organisation for tobacco in 1970 was made largely with the Italians in mind.

These two Mediterranean countries each account for around 38 per cent of the Community's production with Spain (11 per cent), France (10 per cent) and West Germany (2 per cent) responsible for the bulk of the rest.

EC support for tobacco growers is based on a special aid—or premium—paid directly to processors or purchasers of the commodity. The premium is deliberately fixed with reference to world prices so that the big cigarette manufacturers and other processors are encouraged to buy material grown in the Community rather than the cheaper supplies which are available on the world market from low cost producers such as Zimbabwe and Malawi.

Whereas variable import levies do the trick in most other agricultural sectors, the premium system essentially upholds the principle of "community preference" for tobacco. As a Commission report on the sector last year pointed out "it would not be going too far to assert that without the premium tobacco production would have died out a long time ago in the most underdeveloped regions of the Community where the crop is grown on very small plots of land (averaging 0.7 hectares).

The policy of providing sufficient market support in this way *may bring its own distortions* but at least it means that large quantities of tobacco do not pile up in Community stores. In principle public purchasing underpins the market but in practice the Commission has been reasonably successful in recent years in keeping stocks to a minimum.

What has not worked so well is the strategy of differentiated prices and premiums, aimed at discouraging production of those varieties for which there is less demand. As last month's Commission paper on stabilisers admits, "growers have made up for lower prices and premiums—down about 15 per cent during the past four years—by increasing output."

The expansion of production, it adds, "has led to problems for other varieties, disrupted marketing and, in some regions, prevented a long-needed switch to new qualities." Along with the fall in world prices, this has brought about a situation in which even varieties much sought after by the European tobacco industry are being sent into intervention: Virginia in France and Italy; Burley in Greece, Italy and France; Basmas and Katerini in Greece.

For the purposes of fixing this year's prices and premiums — ranging from a 5 per cent increase to a 6 per cent cut — the Commission classified the 34 varieties of EC tobacco into five distinct groups. Now however, it wants to take this policy a stage further by setting, for the first time, an overall production limit of 350,000 tonnes, within which there would be a maximum guaranteed quantity for each variety or group of varieties.

Last month's paper sets out the detailed criteria for determining these ceilings — a mixture of economic and social considerations — but the *delicate political task of pencilling* in the numbers has been postponed until next year.

As envisaged in Brussels the penalties would operate in a way very similar to those in the oilseeds sector—prices and premiums would be adjusted downwards for overproduction with a cut off of 5 per cent and 10 per cent respectively for 1988-89 and 1989-90.

The Commission is also proposing a clearer demarcation of the areas of production where individual varieties will qualify for the premiums—a new policy initiated in 1986 in an effort to prevent uneconomic switches in varieties.

No easy way to banish hunger

FARMER'S VIEWPOINT

By John Cherrington

HARDLY A week goes by without appalling pictures of starving third world children appearing on our television screens.

In Channel 4's recent series "The Politics of Food" such scenes, depicting the plight of peasants in the Sudan and Brazil, were contrasted with the affluence of commercial farmers growing cotton as an export crop in the former and sugar for motor fuel in the latter. I was left with the overall impression that it would have been much better had not modern high cost farming systems replaced the subsistence farming of much of the under-developed world.

There is nothing new in this. Nearly 20 years ago I reported on the great potential for increased production following the Green Revolution, which particularly affected wheat and rice. I visited the developments in Mexico of the Rockefeller Foundation, which was responsible for the work on wheat. It was largely due to the dwarf wheats developed by Professor Norman Borlaug of the Foundation that countries like India have been able to make themselves self-sufficient in cereals. Professor Borlaug was awarded a Nobel Prize for his work, which I thought was well deserved.

His acclaim was not universal, however. There was, and still is, a school of thought which holds that it was wrong to adopt these modern farming systems because they were dependent on fertilisers, some machinery and a money economy. Instead of being satisfied with subsistence farming the country dwellers would be forced to trade their produce to buy their inputs. I cannot see what was wrong with that because there was no alternative.

The main drive for increased food production came from the population explosion in many of these countries. Over the past 40 years many of the diseases which controlled populations in the third world have yielded to the march of medical science. Smallpox and malaria, for example, have been all but wiped out where they used to be endemic, while hygiene has been revolutionised by modern sewage systems in many areas. As a result populations have soared far beyond the capacity of the original farming systems to support them.

At the same time education has opened the eyes of many village dwellers to the attractions of civilisation, the opportunities to earn money in the towns and to live in better conditions than those in the bush.

The World Bank and similar bodies have assisted the development of commercial farming, like the cotton growing in the Sudan and the overproduction of palm oil in Southeast Asia, with loans and technical assistance. This has been on a commercial basis so that some recoupment could be made to the original providers of capital.

It could be argued that proceeds from a high value crop like cotton would far exceed those from growing traditional food crops, so that enough would be earned to buy food from other sources.

There is no doubt that for some commodities the protection given to farmers in the developed countries has a great deal to do with depressed world market prices. Sugar is a case in point. The European and North American beet sugar industry is highly protected and this prevents any expansion of markets for third world supplies, especially as the EC subsidises the export of sugar at prices the third world would have a job to match.

At one time it used to be thought that the answer to rural poverty was to redistribute the land so that everyone would have an acreage on which to grow subsistence food with a surplus to be sold to finance essential supplies. I have seen land reform projects in Latin America in particular which had been well thought out and advised by various aid schemes.

I remember one in particular in Colombia. It was on a large estate taken over from the owner. The man in charge was lecturing the incoming farmers on the benefits of cooperation with their neighbours, not only for buying and selling but also for actually working the land. At this a member of the audience rose to his feet and shouted that the Columbian peasant had not overcome the obstruction of the landlords, often with violence, to secure a piece of land in order to share it with others. He wanted to work his own land in his own way. He was cheered to the echo. As a farmer myself I could understand his emotions.

But I do not believe the Green Revolution, Western aid or even Western exploitation are wholly responsible for the harrowing poverty shown on our screen all too often nowadays.

It must be emphasised that unlike the Ethiopian drought of two years ago the conditions shown are endemic in many of these countries and have been for decades. In fact poverty was the lot of most Europeans a century or two ago. It was not quite as dire as the poverty in today's third world but it was bad enough. It was only overcome by political action, by democracy if you like, and it took a long time.

It is not realistic to expect these underdeveloped countries to organise themselves into modern efficient states complete with welfare systems on the European model in a few years. Some are ex-colonies like those of Latin America which have had a century and half of independence from Spain while India has been free of British rule for no more than 40 years.

I spent a day in Calcutta about 30 years ago and saw poverty and destitution which was far worse than anything I had seen anywhere in the world. I remember thinking that thanks to the independence which the Indians had won from us that this was no longer our responsibility. The only way in which we could have influenced that sort of situation in India would have been by ruling the country directly and we could have only done so against the wishes of the population.

In the absence of such a responsibility the least that we can do is to make available the best means of increasing food production and other techniques so that given the will these countries will evolve into sensible societies where everyone does at least have enough to eat. I fear that it will take a very long time.

LONDON MARKETS

COPPER VALUES climbed to fresh six-year highs on the London Metal Exchange yesterday as investors continued to respond to the tight supply situation and bullish chart signals. News of a further fall last week in LME warehouse stocks—the fourth in succession—also gave encouragement to buyers and the cash Grade A quotation closed at £1,202.50 a tonne, adding £17 to last week's £53.50 rise. In contrast a modest rise in aluminium stocks encouraged profit taking which trimmed off £20 of Friday's £105 advance.

LME prices supplied by Amalgamated Metal Trading.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ended last Friday) (tonnes)

Aluminium standard	−3,450	to 58,950
high grade	+950	to 24,625
Copper	−5,350	to 100,000
Lead	+25	to 19,325
Nickel	−1,134	to 2,412
Tin	−200	to 22,815
Zinc	−2,225	to 30,625
	(ounces)	
Silver	−260,000	to 20,916,000

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
99.7% purity			
Cash	2035-45	−20	—
3 months	1890-900	−5	1895/1880

Official closing (am): Cash 2,015-25 (2,020-40), three months 1,890-5 (1,905-10), settlement 2,025 (2,040). Final Kerb close: 1,890-900. Turnover: 1,180 tonnes.

99.5% purity			
Cash	1233-7	−15	—
3 months	1117-8	−16	1143/1117

Official closing (am): Cash 1,227-8 (1,242-3), three months 1,120.5-1.5 (1,135-6), settlement 1,228 (1,243). Final Kerb close: 1,121-2. Turnover: 19,675 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or −	High/Low
Cash	1202-5	+17	1201/1200
3 months	1160.5-1	+7.5	1166/1157

Official closing (am): Cash 1,199-200 (1,184-5), three months 1,158.5-9 (1,148.5-50), settlement 1,200 (1,185). Final Kerb close: 1,160-0.5.

Standard			
Cash	1187-90	+18.5	1186/—
3 months	1155-5	+5.5	—

Official closing (am): Cash 1,186-7 (1,169.70), three months 1,150.5 (1,142-4), settlement 1,187 (1,170). US Producer prices 87.5-88 cents a pound. Total Turnover: 45,575 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	367-8	+3	366/364.5
3 Months	358.5-8.75	+1	361/356

Official closing (am): Cash 366-6 (364-4.5), three months 357-7.5 (356-8), settlement 366 (364.5). Final Kerb close: 358-7. Turnover: 4,800 tonnes. US Spot: 42 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	3315-25	+47.5	3310/—
3 months	3315-6	+41.5	3320/3300

Official closing (am): Cash 3,309-10 (3,275-5), three months 3,305-10 (3,260-5), settlement 3,310 (3,275). Final Kerb close: 3,315-20. Turnover: 1,488 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	461-3	−1.5	463.5/—
3 months	456-6.5	−2.25	470/456

Official closing (am): Cash 463-3.5 (462-2.5), three months 466-6.5 (467-8), settlement 463.5 (462.5). Final Kerb close: 466-7. Turnover: 13,075 tonnes. US Prime Western: 43-45.75 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

Strike Price $/tonne	Calls Nov.	Puts Nov.
[illegible]	[illegible]	[illegible]

TIN

KUALA LUMPUR TIN MARKET—Close: 17.15 (17.04) ringgit per kg. Up 0.11.

GOLD

GOLD BULLION (fine ounce) Oct. 12

Close	$461¼-461¾	(£279¼-279¾)
Opening	$461¼-462	(£279½-280¼)
M'n'g fix	$461.95	(£279.621)
Aft'n'n fix	$461.75	(£279.307)
Day's high	$462-462½	
Day's low	$461¼-461¾	

GOLD AND PLATINUM COINS

[illegible]

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 99.50p per kg lw (−1.15). GB—Sheep 186.42p per kg est d c w (+3.21). GB—Pigs 78.92p per kg lw (−0.08).

FUTURES—Pigs: Feb 96.80, sales 1.

INDICES

REUTERS

Oct. 12	Oct. 9	M'th ago	Year ago
1644.2	1671.3	1640.6	1565.0

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Oct. 9	Oct. 8	M'th ago	Year ago
Spot	127.08	127.29	—	122.35
Fut	133.02	133.01	—	121.93

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

	Oct. 12 1987	+ or −	Month ago
METALS			
Aluminium	[illegible]		
Free Market	$2005/125	−10	$1775/745
Copper			
Cash Grade A	£1202.5	+17	£1105
3 months	£1160.75	+7.5	£1055.75
Gold Troy oz	$462	+0.75	$460.25
Lead Cash	£367.5	+3	£408.5
3 months	£358.5	+1	£386.5
Nickel	[illegible]		
Free Mkt	[illegible]		
Palladium oz	[illegible]		
Platinum oz	[illegible]		
Quicksilver†	[illegible]		
Silver troy oz	[illegible]		
3 months	[illegible]		
Tin	[illegible]		
Free Mkt	[illegible]		
Tungsten	[illegible]		
Wolfram 22.04lb	[illegible]		
Zinc	[illegible]		
3 months	[illegible]		
Producers	[illegible]		
OILS			
Coconut (Phil)	[illegible]		
Palm Malayan	[illegible]		
SEEDS			
Copra (Phil)	[illegible]		
Soyabean (U.S.)	[illegible]		
GRAINS			
Barley Fut. Jan	[illegible]		
Maize	[illegible]		
Wheat Fut. Jan	[illegible]		
No. 2 Hard Wint.	[illegible]		
OTHERS			
Cocoa Ft. Mar.	[illegible]		
Coffee Ft. Jan	[illegible]		
Cotton A Ind.	[illegible]		
Gas Oil Nov.	[illegible]		
Rubber (kilo)	[illegible]		
Sugar (raw)	[illegible]		
Wooltops 64s	[illegible]		

‡ Unquoted. † Per 76-lb flask. • Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec.

SILVER

Silver was fixed 0.45p an ounce higher for spot delivery in the London bullion market yesterday at 474.05p. US cent equivalents of the fixing levels were: spot 783.2c, up 1.3c; three-month 800.15c, up 1.95c; six-month 817.05c, up 1.95c; and 12-month 854.85c, up 4.45c. The metal opened at 471-473p (777-779c) and closed at 471-473p (781-783c).

SILVER per troy oz	Bullion Fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	474.05p	+0.45	780c	+5
3 months	485.90p	+0.65	[illegible]	
6 months	497.60p	+0.45		
12 months	522.40p	+1.45		

Three months high/low 780c. Final Kerb 795-7p.

LME—Turnover: 4 (nil) lots of 10,000 ounces.

COFFEE

After opening steadily in very thin conditions, robustas traded quietly during the morning, reports Drexel Burnham Lambert. With no significant follow-through the market eased on trade selling which encountered scale-down buying towards the lows of the recent trading range. The market closed quietly towards the lows in light volume.

COFFEE	Yesterday's close	+ or −	Business done
Nov	[illegible]		
Jan	[illegible]		
March	[illegible]		
May	[illegible]		
July	[illegible]		
Sept	[illegible]		
Nov	[illegible]		

Sales: 2,856 (3,970) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 9: Comp. daily 1979 110.39 (111.35); 15-day average 108.90 (108.12).

COCOA

After opening virtually unchanged, futures drifted to a close at the mid-point of the day's £12 trading range. Producers were unwilling to participate at present price levels but light consumer offtake was noted near the lows, reports Gill and Duffus.

£ per tonne	Yesterday's close	+ or −	Business done
Dec	[illegible]		
March	[illegible]		
May	[illegible]		
July	[illegible]		
Sept	[illegible]		
Dec	[illegible]		
March	[illegible]		

Sales: 2,631 (2,449) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for October 12: unavailable (1,490.60); 10-day average for October 13: unavailable (1,501.46).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1106.5	1110/1108	1112
Jan.	1202	1210/1198	1205
Apr.	1240	1240/1236	1255
July	1127.5	1145/1127	1154.5
Oct.	1250	1250	1260
Jan.	1250	1250	1206
April	1287.5		1295
BFI.	1098		1094

Turnover: 160 (205).

GRAINS

The wheat market, after early losses, firmed sharply reflecting lack of farm offers and a general bullish trade sentiment, and absorbed shipper long liquidation to close on the highs. Barley and new crops were dull and closed without feature around unchanged levels, reports T. G. Roddick.

Mnth	WHEAT Yest'dy's close	+ or −	BARLEY Yest'dy's close	+ or −
Nov	111.20	+1.00	104.05	+0.05
Jan	112.60	+0.95	106.65	+0.05
Mar	114.35	+0.80	108.35	+0.05
May	116.65	+1.05	110.15	+0.05
July	118.50	+0.95	—	—
Sept	100.15	—	97.75	+0.05
Nov	102.15	—	100.10	+0.05

Business done—Wheat: Nov 111.20-09.85, Jan 112.60-2.25, March 114.35-3.95, May 116.65-6.25, July, Sept and Nov untraded. Sales: 458 lots of 100 tonnes. Barley: Nov 104.00-3.75, Jan 106.55-6.25, March 108.30, May 109.90, Sept and Nov untraded. Sales: 46 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Oct 95.75, Nov 96.00. US No 2 Soft Red Winter: Oct 92.00, Nov 93.25. French 11½-12 per cent: Oct 136.00 sellers. English feed, fob: Nov 111.00-112.00, Dec 112.00-113.00 buyer/sellers, Jan/March 116.00 sellers, April/June 117.00-118.00 buyer/sellers. Maize: US No 3 Yellow / French, transhipment East Coast: 2nd-half Oct 130.50 seller. Barley: English feed: Oct 105.50-106.00 buyer/seller, Nov 109.00, Dec 110.50 sellers, Jan/March 111.50-112.50 buyer/sellers.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 101.70, E. Midlands 102.10, Scotland 100.60. The UK monetary coefficient for the week beginning Monday October 12 (based on HGCA calculations, using four days' exchange rates) is expected to remain unchanged.

POTATOES

Heavier than forecast weekend rainfall brought out buyers in strength from the opening. The first trade was £4.70 up and most of the morning business was done between £147.50 and £148.20, basis April. Afternoon trade rushed [illegible] but soon found further buyers, breaking the £150.00 level mid-session and closing fully steady above that psychological level, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	[illegible]		
Feb	[illegible]		
March	[illegible]		
April	[illegible]		
May	[illegible]		
Nov	[illegible]		

Sales: 2,077 (1,506) lots of 40 tonnes.

US MARKETS

WITH THE US celebrating Columbus day, many markets traded in lighter volume than usual, reports Drexel Burnham Lambert. The precious metals finished the day mixed—both gold and platinum were dominated by local activity while light commission house selling was noted in silver. Crude oil futures fell on trade selling, but recovered on light commission house and local buying. Copper firmed on early overseas buying, but came under pressure from commission house selling before light fund and trade buying steadied prices once more. Coffee eased following early commission house selling with mixed speculative, trade and local selling. Cocoa was lower on commission house selling despite trade and price-fix buying. Sugar firmed on late commission house and trade buying.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lbs

	Close	Prev	High	Low
Oct	83.75	84.75		
Nov	83.75	84.75		
Dec	[illegible]			
Jan	81.10	82.10		
March	77.10	78.10		
May	72.25	73.25		
July	69.50	70.50		
Sept	69.50	70.50		

COCOA 10 tonnes; $/tonnes

[illegible]

COFFEE "C" 37,500 lbs; cents/lbs

[illegible]

COPPER 25,000 lbs; cents/lbs

[illegible]

COTTON 50,000lbs; cents/lb

[illegible]

CRUDE OIL (light) 42,000 US gallons; $/barrels

[illegible]

GOLD 100 troy oz; $/troy oz

[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

[illegible]

ORANGE JUICE 15,000 lbs, cents/lbs

[illegible]

PLATINUM 50 troy oz; $/troy oz

[illegible]

SILVER 5,000 troy oz; cents/troy oz

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

CHICAGO

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 30,000 lbs; cents/lbs

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

PORK BELLIES 38,000 lbs; cents/lbs

[illegible]

SOYABEANS 5,000 bu min; cents/60lb-bushel

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

SPOT PRICES—Chicago loose lard 18.00 (same) cents per pound. Handy and Harman silver bullion 781 (779) cents per troy ounce. New York tin 318-319 (318.5-317) cents per pound.

SUGAR

LONDON DAILY PRICE—Raw sugar $171.00 (£103.60), unchanged (down $00) a tonne for October/November delivery. White sugar $188.00, up $0c. Sales: No 6 [illegible] lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £282.00 (same) a tonne for export.

	Yesterday's close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Dec	[illegible]		
Mar	[illegible]		
May	[illegible]		
Aug	[illegible]		
Oct	[illegible]		
Dec	[illegible]		
No. 5 Whites			
Dec	[illegible]		
March	[illegible]		
May	[illegible]		
Aug	[illegible]		
Oct	[illegible]		
Dec	[illegible]		
Mar	[illegible]		

PARIS—Whites (FFr per tonne): Dec 1135-1140, March 1182-1185, May 1206-1215, Aug 1239-1245, Oct 1260-1270, Dec 1260-1280.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for October 9: Daily price 6.44 (6.43); 15-day average 6.14 (6.12).

OIL

	Latest	Change + or −
CRUDE OIL—FOB (# per barrel) Oct.		
Arab Light	—	
Arab Heavy	—	
Dubai	18.90-17.00	−0.05
Brent Blend	18.65-18.70	−0.15
W.T.I. (1 pm est)	19.65-19.70	−0.1
Forcados (Nigeria)	—	
Urals (cif NWE)	—	

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	185-186	—
Gas Oil	165-164	−1.5
Heavy fuel Oil	95-97	−1
Naphtha	100-102	−2

* November

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yesterday's close	+ or −	Business done
	US$ per tonne		
Nov	164.75	[illegible]	[illegible]
Dec	[illegible]		
Jan	[illegible]		
Feb	[illegible]		

Turnover: 3,165 (2,900) lots of 100 tonnes.

SOYABEAN MEAL

	Yesterday's close	+ or −	Business done
	£ per tonne		
October	[illegible]		
Dec	[illegible]		
Feb	[illegible]		
April	[illegible]		
June	[illegible]		
August	[illegible]		
October	[illegible]		

Sales: Nil (220) lots of 20 tonnes.

TEA

25,108 packages were on offer at the London tea auction, including 200 in the offshore section, reports the Tea Brokers' Association. Demand for Assams remained strong, with quality teas often selling well above values and medium qualities also generally more expensive. East Africans were irregular and mainly 2-3p per kg easier by the close. Central Africans were quite well supported at steady rates. Quotations: Quality 190p a kg (172p); medium 108p a kg (110p); lower medium 88p a kg (same).

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases ahead of figures

THE DOLLAR weakened slightly on the foreign exchanges. Trading was quit with New York banks closed for Columbus Day.

Attention focused on tomorrow's US trade figures for August, with dealers reluctant to take positions ahead of the announcement.

An improvement from July's record deficit of $16.47bn is expected, bt forecasts have tended to become rather more pessimistic of late, with several economists now looking for only a slightly better figures of around $15bn for August.

Hopes that the imbalance in world trade was turning, after reductions in the August Japanese and West German trade surpluses, were hit yesterday by news that Japan's surplus in September rose sharply to $7.43bn, from $5.15bn in August.

Dealers were nervous about a possible shift in interest rate differeentials. Expectations the US Federal Reserve is about to increase its discount rate have not so far been realised, but the market is also looking for a discount rate rise from the Bank of Japan in the near future.

The dollar eased to DM 1.8130 from DM 1.8135; to SFr 1.5025 from SFr 1.5080; and to Y143.25 from Y143.80, but was unchanged at 6.0425.

On Bank of England figures the dollar's index fell to 100.7 from 100.9.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. September average 1.6546 Exchange rate index rose 0.1 to 73.4, compared with 72.1 six months ago.

Sterling pushed up towards the DM 3.00 level, and the Bank of England appeared to intervene in thin trading during the afternoon. Dealers said the central bank sold the pound against the dollar. This was intended as a move to prevent sterling rising in general, and particularaly against the D-Mark.

The UK producer price index for September helped sentiment by suggesting inflation remains under control. Input prices rose 0.1 per cent, against most forecasts of a fall, while the rise of 0.2 per cent in output prices was towards the lower end of City estimates.

The pound rose ¼ cent to $1.6530£-1.6540. It also improved to DM 2.9975 from DM 2.9950 and to FFr 9.9925 from FFr 9.9750, but fell to SFr 2.4850 from SFr 2.49 and to Y236.75 from Y237.50.

D-MARK—Trading range against the dollar in 1987 is 1.9385 to 1.7690. September average 1.8122. Exchange rate index 146.5 against 146.5 six months ago.

The D-Mark moved within a narrow range against the dollar during an uneventful day in Frankfurt. The US currency closed at DM 1.81275, against DM 1.8165 previously. The Bundesbank did not intervene when the dollar was fixed at DM 1.8130 in Frankfurt, compared with DM 1.8121 on Friday.

Dealers said sentiment was likely to remain bearish even if the US trade deficit is cut to $14bn, and the dollar could fall below DM 1.80 by the end of the week.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 221.7 against 222.9 six months ago.

The yen rose slightly against the *dollar in quiet Tokyo trading. The* dollar touched a peak of Y144.05, where Japanese institutional investors were sellers, to hedge currency risks on US bond holdings.

News th Japanese customs cleared trade surplus rose to $7.43bn in September from $5.15bn in August pushed the dollar down to a low of Y143.50, before it closed at Y143.50, before it closed at Y143.85, compared with Y144.40 on *Friday*.

£ IN NEW YORK

Oct. 12	Latest	Previous Close
£ Spot	1.6510-1.6520	1.6535-1.6545
1 month	0.29-0.27pm	0.29-0.27pm
3 months	0.60-0.56pm	0.60-0.58pm
12 months	1.80-1.70pm	1.85-1.75pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 12	Previous
8.30 am	73.4	73.3
9.00 am	73.3	73.3
10.00 am	73.4	73.3
11.00 am	73.3	73.3
Noon	73.4	73.4
1.00 pm	73.4	73.3
2.00 pm	73.4	73.4
3.00 pm	73.4	73.4
4.00 pm	73.4	73.3

CURRENCY RATES

Oct. 12	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	—	N/A	0.693292
U.S. Dollar	6	„	1.14592
Canadian $	8.75	„	1.49497
Austrian Sch.	4	N/A	14.6229
Belgian Franc	7¼	„	43.1957
Danish Krone	7	„	7.96226
Deutsche Mark	3	„	2.07749
Neth. Guilder	4½	„	2.33771
French Franc	9½	„	6.92174
Italian Lira	12	„	1498.94
Japanese Yen	2½	„	164.411
Norway Krone	8	„	7.59576
Spanish Peseta	—	„	137.885
Swedish Krona	7½	„	7.29511
Swiss Franc	3.5	„	1.72256
Greek Drach.	20½	„	199.520
Irish Punt	—	„	0.773707

* CS/SDR rate for Oct. 9: 1.69702.

CURRENCY MOVEMENTS

Oct. 12	Bank of England Index	Morgan Guaranty* Changes %
Sterling	73.4	N/A
U.S. Dollar	100.7	„
Canadian Dollar	79.1	„
Austrian Schilling	137.2	„
Belgian Franc	99.5	„
Danish Krone	91.2	„
Deutsche Mark	146.5	„
Swiss Franc	172.4	„
Guilder	134.8	„
French Franc	71.5	„
Lira	47.2	„
Yen	221.7	„

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Oct. 12	£	$
Argentina	5.1455-5.1715	3.1150-3.1300
Australia	2.2735-2.2765	1.3765-1.3775
Brazil	86.1700-86.6200	52.1680-52.4290
Finland	7.1950-7.2075	4.3600-4.3620
Greece	228.15-232.15	138.35-140.65
Hong Kong	12.8950-12.9045	7.8035-7.8045
Iran	118.10*	71.00*
Korea(Sth)	1326.80-1338.80	802.70-809.30
Kuwait	0.46440-0.46500	0.28105-0.28115
Luxembourg	62.30-62.40	37.65-37.75
Malaysia	4.1875-4.1920	2.5345-2.5360
Mexico	2631.30-2633.75	1593.00-1594.00
N. Zealand	2.4770-2.4820	1.5005-1.5020
Saudi Ar.	6.1965-6.2025	3.7500-3.7510
Singapore	3.4585-3.4625	2.0935-2.0945
S. Af. (Cm)	3.3935-3.4095	2.0595-2.0640
S. Af. (Fn)	5.4145-5.5980	3.2785-3.3895
Taiwan	49.40-49.65	29.90-30.00
U.A.E.	6.0685-6.0745	3.6725-3.6735

*Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1957	+1.74	+1.02	±1.5344
Danish Krone	7.85212	7.96226	+1.40	+0.68	±1.6404
German D-Mark	2.05853	2.07749	+0.92	+0.20	±1.0981
French Franc	6.90403	6.92174	+0.26	−0.46	±1.3674
Dutch Guilder	2.31943	2.33771	+0.79	+0.07	±1.5022
Irish Punt	0.768411	0.773707	+0.69	−0.03	±1.6684
Italian Lira	1,483.58	1498.94	+1.04	+0.77	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 8	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6465–1.6565	1.6530–1.6540	0.30–0.27 cpm	2.07	0.54–0.50 pm	1.26
Canada	2.1542–2.1606	2.1545–2.1555	0.01dis-Par	−0.03	0.10dis–0.10 pm	−0.19
Netherlands	3.36½–3.37¼	3.36¼–3.37¼	1⅛–1⅛ c pm	4.68	3⅝–3½ pm	4.16
Belgium	62.19–62.41	62.30–62.40	3–1 c pm	0.38	55–50 pm	3.37
Denmark	11.47–11.50½	11.47½–11.48½	1–¼ ore pm	0.65	1½ pm–½ pm	0.44
Ireland	1.1145–1.1180	1.1170–1.1180	0.14–0.10 pm	1.29	0.30–0.20 pm	0.89
W. Germany	2.99¼–3.00¼	2.99¾–3.00¼	1½–1⅜ pf pm	6.01	4–3⅞ pm	5.18
Portugal	236.33–237.66	236.69–237.64	39-94c dis	−3.36	161–250 dis	−3.47
Spain	198.63–200.95	198.68–200.83	4pm-32 c dis	−1.08	85–138 dis	−2.23
Italy	2158¼–2166½	2162¾–2163¾	2-5lire dis	−1.94	12–14 dis	−2.31
Norway	10.93½–10.97½	10.95¼–10.96¼	3⅛–3⅞ ore dis	−3.76	8⅞–9⅞dis	−3.30
France	9.96¼–10.00	9.98¾–9.99¾	1⅞–1½c pm	1.95	4–3⅛ pm	1.48
Sweden	10.51–10.53¼	10.51¼–10.52¼	1½–¼ ore pm	1.07	2⅞–1¼ pm	0.78
Japan	236¼–237½	236¼–237¼	1⅞–1⅛ y pm	6.00	3¾–3 y pm	6.00
Austria	21.07–21.13	21.10–21.13	10⅝–9½ gro pm	5.65	29⅝–27⅜ pm	5.57
Switzerland	2.48–2.49	2.48–2.49	1⅝–1⅛ c pm	6.64	3⅞–3⅝ pm	5.65

Belgian rate is for convertible francs. Financial franc 62.55–62.65. Six-month forward dollar 0.99–0.94 c pm. 12-month 1.80–1.70 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6465-1.6565	1.6530-1.6540	0.30-0.27c pm	2.07	0.54-0.50pm	1.26
Ireland†	1.4775-1.4815	1.4805-1.4815	0.07-0.02c pm	0.36	0.15-0.05pm	0.27
Canada	1.3030-1.3068	1.3035-1.3045	0.17-0.21c dis	−1.74	0.38-0.43 dis	−1.24
Netherlands	2.0385-2.0450	2.0395-2.0405	0.49-0.45c pm	2.76	1.46-1.41pm	2.81
Belgium	37.65-37.75	37.65-37.75	6.00-4.00c pm	1.59	22.00-18.00pm	2.12
Denmark	6.94-6.97¼	6.94-6.94½	0.30-1.00ore dis	−1.12	1.05-1.75 dis	−0.81
W. Germany	1.8115-1.8180	1.8125-1.8135	0.63-0.61pf pm	4.10	1.74-1.71pm	3.80
Portugal	143¼-143½	143¼-143¾	40-90c dis	−5.44	125-325 dis	−3.14
Spain	120.20-120.42	120.20-120.30	25-45c dis	−3.49	95-125 dis	−3.66
Italy	1307-1310¼	1307¾-1308¼	3.50-5.00lire dis	−3.90	11.80-13.30dis	−3.84
Norway	6.62½-6.64	6.62½-6.63	3.15-3.50ore dis	−6.02	8.00-8.40dis	−4.95
France	6.03½-6.05¼	6.04-6.04½	par-0.10c dis	0.10	0.15-0.15pm	0.10
Sweden	6.35¼-6.37¼	6.36-6.36½	0.40-0.70ore dis	−1.04	0.85-1.25 dis	−0.66
Japan	143.10-144.10	143.20-143.30	0.52-0.49y pm	4.22	1.41-1.39 pm	3.94
Austria	12.75¼-12.78½	12.76-12.76½	4.00-3.00gro pm	3.29	14.00-12.00pm	4.07
Switzerland	1.5010-1.5080	1.5020-1.5030	0.62-0.58c pm	4.79	1.63-1.58 pm	4.27

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.80-37.90

EURO-CURRENCY INTEREST RATES

Oct. 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9⅛-9	9⅞-9⅝	9⅞-9¾	10⅛-10⅛	10⅞-10⅝	10⅞-10⅝
U.S. Dollar	N/A	7⅝-7½	7⅞-7¾	8⅞-8⅝	9⅛-8⅞	9⅜-9⅛
Can. Dollar	9⅛-9⅝	9⅜-9⅛	9⅜-9⅛	10⅛-9⅞	10⅛-10⅛	11⅛-10⅞
D. Guilder	5⅞-5⅛	5⅞-5¾	5⅞-5¾	6-5⅞	6⅛-6	6⅛-6
Sw. Franc	2-1⅞	2-1⅞	3⅞-3⅝	4⅜-4⅛	4⅜-4⅛	4⅝-4⅜
Deutschmark	3⅞-3⅝	3⅞-3⅝	4⅛-4⅛	5⅛-4⅞	5⅛-5⅛	5⅜-5⅛
Fr. Franc	7⅞-7⅝	7⅞-7⅞	8-7⅞	8⅞-8⅝	9⅛-9	9⅞-9⅝
Italian Lira	11-10	12-11	12⅞-11⅞	13-12⅞	13⅞-12⅞	13⅞-12⅞
B. Fr. (Fin.)	6⅞-6⅞	6⅞-6⅞	6⅞-6⅛	6⅞-6⅞	7⅞-7⅛	7⅞-7⅛
B. Fr. (Con.)	6⅞-6	6⅞-6	6⅞-6⅛	6⅞-6⅞	7⅛-7	7⅞-7⅞
Yen	3⅞-3⅞	3⅞-3⅞	3⅞-3⅞	3⅞-4⅞	5⅛-5⅛	5⅛-5⅛
D. Krone	9⅛-9	9⅞-9⅞	9⅞-9⅞	10-9⅞	10⅞-9⅞	10⅞-10⅞
Asian S Sing	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	8⅞-8⅞	9-8⅞	9⅞-9⅞

Long-term Eurodollars: Two years 10-9⅞ per cent; three years 10⅛-10 per cent; four years 10⅜-10⅛ per cent; five years 10½-10⅜ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct. 12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.654	2.998	236.8	9.993	2.485	3.373	2163.	2.155	62.35
$	0.605	1.	1.813	143.2	6.043	1.503	2.040	1308.	1.303	37.70
DM	0.334	0.552	1.	78.98	3.334	0.829	1.125	721.5	0.719	20.80
YEN	4.224	6.984	12.66	1000.	42.21	10.50	14.24	9135.	9.102	263.4
F Fr.	1.001	1.655	3.000	236.9	10.00	2.487	3.375	2164.	2.157	62.40
S Fr.	0.402	0.665	1.206	95.27	4.021	1.	1.357	870.	0.867	25.09
H Fl.	0.297	0.490	0.889	70.20	2.963	0.737	1.	642.3	0.639	18.49
Lira	0.462	0.765	1.386	109.5	4.620	1.149	1.559	1000.	0.996	28.83
C $	0.464	0.767	1.391	109.9	4.637	1.153	1.565	1004.	1.	28.93
B Fr.	1.604	2.652	4.808	379.7	16.03	3.986	5.409	3469.	3.456	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

US bond prices fall again

US TREASURY bond prices lost ground in the London International Financial Futures Exchange yesterday. Values were marked down following Friday's sharp decline in Chicago. One trader described this sector of the market as being all doom and gloom at the moment.

Investors were less than confident because there was a feeling that the US authorities were finding it increasingly more difficult to avoid upward pressure on the discount rate. In addition there was a good deal of unease ahead of toimmorow's US trade figures. Even a modest improvement over July's record $16.67bn deficit was unlikely to be taken in a satisfactory light while a worse figure would bring heavy pressure to bear on the dollar.

The December price opened at 79-23 down from 80-24 and touched a low of 79-14 before recovering slightly to close at 78-25.

Gilt futures managed to hang on reasonably well despite the poor shape of US bonds. Sterling's steady to firm trend provided the key support, with the Bank of England intervening in a modest way to keep it below DM 3.00. UK producer prices were much as expected.

The long gilt for December delivery opened at 114-02, against 114-01 on Friday and traded between a high of 114-12 and a low of 113-31 before closing at 114-04.

Three-month sterling deposits opened unchanged at 89.55 for December and moved up to touch a high of 89.63 before finishing at 89.60. A slightly softer trend in the cash market also helped to underpin prices.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	6.14	7.04	0.06	0.50
110	4.24	5.30	0.16	1.12
112	2.49	4.09	0.41	1.55
114	1.32	2.62	1.24	2.44
116	0.44	2.05	2.36	3.51
118	0.18	1.25	4.10	5.07
120	0.06	0.57	5.62	6.39
122	0.03	0.38	7.59	8.20

Estimated volume total, Calls 685 Puts 308
Previous day's open int: Calls 27,597 Puts 20,240

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
76	4.03	4.11	0.29	1.25
78	2.33	2.57	0.59	2.07
80	1.21	1.54	1.47	3.04
82	0.37	1.06	2.63	4.20
84	0.15	0.24	4.41	5.38
86	0.06	0.11	6.32	7.25
88	0.02	0.04	8.28	9.18
90	0.01	0.02	10.27	11.16

Estimated volume total, Calls 25 Puts 109
Previous day's open int: Calls 1,357 Puts 935

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
22750	9.59	11.52	0.54	2.47
23000	7.52	9.80	0.97	3.25
23250	5.68	8.24	1.63	4.19
23500	4.12	6.84	2.57	5.29
23750	2.85	5.60	3.80	6.55
24000	1.88	4.52	5.53	7.97
24250	1.17	3.61	7.12	9.56
24500	0.69	2.83	9.14	11.28

Estimated volume total, Calls 52 Puts 51
Previous day's open int: Calls 118 Puts 129

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.45	20.35	20.35	20.35	20.35	0.00	0.00	0.00	0.04
1.50	15.35	15.35	15.35	15.35	0.00	0.00	0.00	0.18
1.55	10.35	10.35	10.35	10.35	0.00	0.00	0.05	0.65
1.60	5.35	5.35	5.35	6.27	0.00	0.13	0.47	1.80
1.65	0.65	1.50	2.00	3.40	0.34	1.42	2.14	3.93
1.70	0.00	0.16	0.46	1.58	4.69	5.08	5.60	7.11
1.75	0.00	0.00	0.06	0.63	9.69	9.92	10.20	11.16

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 302 Puts 1,910

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
135	—	—	19.90	—	—	—	2.75	—
140	—	—	17.90	—	—	—	2.10	—
145	—	—	12.90	—	—	—	2.70	—
1.50	15.40	15.40	15.40	15.40	0.30	0.30	0.30	0.40
1.55	10.40	10.40	10.40	10.45	0.30	0.30	0.35	0.90
1.60	5.40	5.40	3.45	6.30	0.30	0.45	0.80	1.90
1.65	0.85	1.65	2.15	3.40	0.75	1.70	2.40	4.00
1.70	0.30	0.40	0.75	1.65	5.05	5.35	5.85	7.05
1.75	—	—	1.20	1.80	—	—	16.90	17.50

Previous day's open int: Calls 1010 Puts 119
Estimated Volume: 75

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Oct.	Nov.	Dec.	Mar.	Puts Oct.	Nov.	Dec.	Mar.
1.575	7.90	7.75	7.75	8.05	—	—	0.10	0.90
1.600	5.45	5.30	4.95	6.15	—	0.05	0.40	1.55
1.625	2.75	3.10	—	4.55	—	—	—	—
1.650	0.95	1.50	3.20	3.20	0.30	1.30	11.95	3.45
1.675	0.10	0.60	1.95	2.30	1.90	2.75	13.40	4.85
1.700	—	0.20	1.35	1.55	4.25	4.75	5.25	6.50
1.725	—	0.05	1.25	1.00	16.75	7.10	7.40	8.25

Previous day's open int: Calls N/A Puts N/A
Previous day's volume: Calls N/A Puts N/A

LIFFE-EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	Jun.	Sept.	Puts—Last Dec.	Mar.	Jun.	Sept.
90.25	0.66	0.69	0.72	0.72	0.09	0.33	0.60	0.79
90.50	0.47	0.54	0.59	0.60	0.15	0.43	0.72	0.92
90.75	0.31	0.41	0.48	0.49	0.24	0.55	0.86	1.06
92.00	0.19	0.30	0.37	0.39	0.37	0.69	1.00	1.21
91.25	0.11	0.21	0.28	0.31	0.54	0.85	1.16	1.38
91.50	0.05	0.14	0.21	0.24	0.73	1.03	1.34	1.56
91.75	0.02	0.09	0.15	—	0.95	1.23	1.53	—

Previous day's open int: Calls 1,348 Puts 1,647
Estimated Vol: Calls 20 Puts 11

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	114-04	114-12	113-31	114-01
March	114-09	—	—	114-06

Estimated volume 12,774 (27,746)
Previous day's open int. 28,389 (27,229)

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec.	96.28	96.28	96.08	96.09
March	95.78	—	—	95.71

Estimated Volume 411 (301)
Previous day's open int. 857 (878)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec.	89.60	89.63	89.54	89.55
March	89.61	89.62	89.53	89.54
June	89.61	89.61	89.51	89.53
Sept.	89.60	89.62	89.55	89.47
Dec.	89.49	—	—	89.36

Estimated Volume 5,128 (6,532)
Previous day's open int. 14,846 (17,442)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec.	236.55	241.00	236.50	241.55
Mar.	241.64	—	—	246.05

Estimated volume 3,322 (2,290)
Previous day's open int. 7,076 (6,609)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec.	90.82	90.87	90.82	90.94
March	90.61	90.67	90.61	90.71
June	90.37	90.40	90.37	90.48
Sept.	90.18	90.19	90.17	90.30
Dec.	90.01	90.00	90.00	90.15
Mar.	89.88	—	—	90.02
June	89.76	—	—	89.90

Estimated volume 4,820 (11,721)
Previous day's open int. 31,613 (31,460)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	79.19	79.30	79.14	80.24
Mar.	78.25	—	—	80.00

Estimated Volume 3,371 (7,775)
Previous day's open int. 5,749 (6,711)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6535	1.6506	1.6488	1.6430	1.6402

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec.	1.6495	1.6500	1.6425	1.6440
Mar.	1.6445	1.6435	1.6390	1.6390
June	1.6380	1.6340	—	1.6325

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.6486	—	—	1.6437
Mar.	1.6447	—	—	1.6387
June	1.6412	—	—	1.6348

Estimated volume 0 (2)
Previous day's open int. 354 (356)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec.	79-23	80-08	79-18	80-09
Mar.	78-31	79-15	78-26	79-12
June	78-12	78-19	78-08	78-23
Sept.	77-22	78-00	77-21	78-03
Dec.	77-05	77-07	77-04	77-17
Mar.	—	—	—	77-01
June	—	—	—	76-19
Sept.	—	—	—	76-06
Dec.	75-15	75-18	75-15	75-25
Mar.	—	—	—	75-15
June	—	—	—	75-05

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	92.32	92.33	92.25	92.33
Mar.	92.05	92.06	92.04	92.04
Jun.	91.85	91.81	91.81	91.81
Sept.	—	91.66	—	91.66
Dec.	—	91.50	—	91.50
Mar.	—	91.38	—	91.38

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec.	0.6710	0.6715	0.6697	0.6722
Mar.	0.6781	0.6781	0.6768	0.6792
Jun.	0.6848	0.6848	0.6848	0.6861

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec.	0.7019	0.7022	0.7005	0.7013
Mar.	0.7084	0.7087	0.7076	0.7080
June	0.7160	0.7160	0.7160	0.7155
Sept.	0.7205	0.7205	0.7205	—
Dec.	0.7265	0.7265	0.7265	0.7269

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec.	0.5552	0.5554	0.5547	0.5563
Mar.	0.5607	0.5607	0.5604	0.5617
June	—	0.5668	0.5668	0.5677
Sep.	—	—	—	0.5739
Dec.	—	—	—	0.5789

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	90.84	90.88	90.82	90.85
Mar.	90.63	90.67	90.61	90.63
June	90.38	90.42	90.37	90.38
Sept.	90.18	90.21	90.18	90.18
Dec.	90.01	90.03	90.00	90.01
Mar.	89.87	89.87	89.87	89.86
June	89.73	89.73	89.72	89.73
Sept.	89.62	89.62	89.62	89.62

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec.	309.27	321.07	309.27	312.20
Mar.	311.10	312.00	308.45	—
Jun.	314.85	315.35	314.20	318.50
Sept.	321.80	319.10	318.00	321.60

Company Notices

Art Galleries

Clubs

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on October 12, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (cb) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25
Albania	Lek	10.1677
Algeria	Dinar	7.7172
Andorra	French Franc Spanish Peseta	9.99 199.76
Angola	Kwanza	49.17
Antigua	E. Caribbean $	4.46
Argentina	Austral	5.1585
Aruba	Florin	2.9763
Australia	Australian $	2.2750
Austria	Schilling	21.12
Azores	Portuguese Escudo	237.17
Bahamas	Bahama $	1.6535
Bahrain	Dinar	0.6220
Balearic Islands	Spanish Peseta	199.76
Bangladesh	Taka	50.35
Barbados	Barbados $	3.3257
Belgium	Belgian Franc	(cm) 62.35 (fn) 62.50
Belize	B $	3.3070
Benin	C.F.A. Franc	499.63
Bermuda	Bermudian $	1.6535
Bhutan	Ngultrum	21.40
Bolivia	Boliviano	(o) 3.4703
Botswana	Pula	2.7850
Brazil	*Cruzado*	86.40
British Virgin Islands	U.S. $	1.6535
Brunei	Brunei $	3.4605
Bulgaria	Lev	1.3960
Burkina Faso	C.F.A. Franc	499.63
Burma	Kyat	10.8865
Burundi	Burundi Franc	205.04
Cameroon	C.F.A. Franc	499.63
Canada	Canadian $	2.1550
Canary Islands	Spanish Peseta	199.76
Cape Verde Islands	Cape V. Escudo	147.60
Cayman Islands	Cayman Isles $	1.3807
Cent. Afr. Republic	C.F.A. Franc	499.63
Chad	C.F.A. Franc	499.63
Chile	Chilean Peso	379.65
China	Renminbi Yuan	6.1359
Colombia	Col. Peso	423.50
Comoro Islands	C.F.A. Franc	499.63
Congo (Brazzaville)	C.F.A. Franc	499.63
Costa Rica	Colon	107.16
Cuba	*Cuban Peso*	1.2967
Cyprus	Cyprus £	0.7850
Czechoslovakia	Koruna	(com) 8.90 nc 15.51 (T) 15.05
Denmark	Danish Kroner	11.4800
Djibouti Republic of	Djibouti Franc	290.00
Dominica	E. Caribbean $	4.46
Dominican Republic	Dominican Peso	5.2715
Ecuador	Sucre	(o) 262.68 (F) 335.37
Egypt	Egyptian £	3.675
El Salvador	Colon	8.2605
Equatorial Guinea	C.F.A. Franc	499.63
Ethiopia	Ethiopian Birr	3.3955
Falkland Islands	Falkland Isles £	1.0
Faroe Islands	Danish Kroner	11.4800
Fiji Islands	Fiji $	2.4657
Finland	Markka	7.2013
France	Franc	9.99
French C'ty in Africa	C.F.A. Franc	499.63
French Guiana	Local Franc	9.99
French Pacific Islands	C.F.P. Franc	179.00
Gabon	C.F.A. Franc	499.63
Gambia	Dalasi	12.2909
Germany (East)	Ostmark	2.9975
Germany (West)	Deutsche Mark	2.9975
Ghana	Cedi	287.187
Gibraltar	Gibraltar £	1.0
Greece	Drachma	230.18
Greenland	Danish Krone	11.4800
Grenada	E. Caribbean $	4.46
Guadeloupe	Local Franc	9.99
Guam	U.S. $	1.6535
Guatemala	Quetzal	1.6535 (F) 4.4634
Guinea	Franc	561.85
Guinea-Bissau	Peso	1074.13
Guyana	Guyanese $	14.82
Haiti	Gourde	8.27
Honduras	Lempira	3.3042
Hong Kong	H.K. $	12.8998
Hungary	Forint	78.4698
Iceland	Icelandic Krona	64.10
India	Indian Rupee	21.40
Indonesia	Rupiah	2731.13
Iran	Rial	118.10
Iraq	Iraqi Dinar	0.5143
Irish Republic	Punt	1.1175
Israel	Shekel	2.6460
Italy	Lira	2162.75
Ivory Coast	C.F.A. Franc	499.63
Jamaica	Jamaican Dollar	8.89
Japan	Yen	236.75
Jordan	Jordanian Dinar	0.5650
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	27.85
Kiribati	Australian $	2.2750
Korea (North)	Won	1.5543
Korea (South)	Won	1332.80
Kuwait	Kuwaiti Dinar	0.46470
Laos	New Kip	57.87
Lebanon	Lebanese £	571.42
Lesotho	Maloti	3.4015
Liberia	Liberian $	1.6535
Libya	Libyan Dinar	0.4938
Liechtenstein	Swiss Franc	2.4850
Luxembourg	Luxembourg Franc	62.35
Macao	Pataca	13.2911
Madeira	Portuguese Escudo	237.17
Malagasy Republic	M.G. Franc	1890.00
Malawi	Kwacha	3.6900
Malaysia	Ringgit	4.1898
Maldive Islands	Rufiyaa	11.5745
Mali Republic	C.F.A. Franc	499.63
Malta	Maltese £	0.5685
Martinique	Local Franc	9.99
Mauritania	Ouguiya	129.61
Mauritius	Mauritian Rupee	21.70
Mexico	Mexican Peso	2632.54 2606.98
Miquelon	Local Franc	9.99
Monaco	French Franc	9.99
Mongolia	Tugrik	5.5483
Montserrat	E. Caribbean $	4.46
Morocco	Dirham	13.55 (sg)
Mozambique	Metical	667.61
Namibia	S.A. Rand	3.4015
Nauru Islands	Australian $	2.2750
Nepal	Nepalese Rupee	34.70
Netherlands	Guilder	3.3725
Netherland Antilles	Antillian Guilder	2.9763
New Zealand	N.Z. $	2.4795
Nicaragua	Cordoba	3904.20
Niger Republic	C.F.A. Franc	499.63
Nigeria	Naira	7.08
Norway	Norwegian Krone	10.95
Oman Sultanate of	Rial Omani	0.6350
Pakistan	Pakistan Rupee	28.5
Panama	Balboa	1.6535
Papua New Guinea	Kina	1.4940
Paraguay	Guarani	528.67 1415.55
Peru	Inti	exc(o)26.25 32.79 47.78 63.42
Philippines	Philippine Peso	33.30
Pitcairn Islands	£ Sterling New Zealand $	— 2.4795
Poland	Zloty	483.43
Portugal	Escudo	237.17
Puerto Rico	U.S. $	1.6535
Qatar	Qatari Ryal	6.0050
Reunion Isle de la	French Franc	9.99
Romania	Leu	(N/C) 16.32
Rwanda	Rwanda Franc	129.70
St. Christopher	E. Caribbean $	4.46
St. Helena	St. Helena £	1.00
St. Lucia	E. Caribbean $	4.46
St. Pierre	Local Franc	9.99
St. Vincent	E. Caribbean $	4.46
Samoa American	U.S. $	1.6535
San Marino	Italian Lira	2162.75
São Tomé & Principe	*Dobra*	58.200
Saudi Arabia	Saudi Ryal	6.1995
Senegal	C.F.A. Franc	499.63
Seychelles	S. Rupee	9.10
Sierra Leone	Leone	(o) 49.48
Singapore	Singapore $	3.4605
Solomon Islands	Solomon Is. $	3.2713
Somali Republic	Somali Shilling	198.75
South Africa	Rand	(Cm) 3.4015 (Fn) 5.5063
Spain	Peseta	199.7
Spanish ports in North Africa	Peseta	199.76
Sri Lanka	S.L. Rupee	49.70
Sudan Republic	Sudan £	4.1338
Surinam	S. Guilder	2.9515
Swaziland	Lilangeni	3.4015
Sweden	Swedish Krona	10.52
Switzerland	Swiss Franc	2.4850
Syria	Syrian £	(o) 6.4900
Taiwan	New Taiwan $	49.540
Tanzania	Tan. Shilling	117.15
Thailand	Baht	42.00
Togo Republic	C.F.A. Franc	499.63
Tonga Islands	Pa'anga	2.2750
Trinidad & Tobago	Trinidad & Tob. $	5.9526
Tunisia	Tunisian Dinar	1.3921 (sg)
Turkey	Turkish Lira	1543.38
Turks & Caicos Islands	U.S. $	1.6535
Tuvalu	Australian $	2.2750
Uganda	Uganda Shilling	98.00
United States	U.S. $	1.6535
Uruguay	Uruguay Peso	413.85
United Arab Emirates	U.A.E. Dirham	6.0715
USSR	Rouble	1.0347
Vanuatu	Vatu	176.00
Vatican	Italian Lira	2162.75
Venezuela	Bolivar	(4) 7.11 (5) 12.40 (6) 55.67
Vietnam	Dong	132.20
Virgin Islands U.S.	U.S. $	1.6535
Western Samoa	Tala	(A) 3.3029
Yemen (North)	Ryal	(A) 16.85
Yemen (South)	S. Yemen Dinar	0.5668
Yugoslavia	New Y. Dinar	1575.00
Zaire Republic	Zaire	197.484
Zambia	Kwacha	13.23
Zimbabwe	Zimbabwe $	2.80

‡Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for Public Sector Debt and Essential Imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rate. (10) Rate for exports. (14) Nearly all business transactions. (15) Nigeria, Auction price for dollar N/A. (16) Bolivia, New Currency Introduced (Boliviano, worth 1m Pesos) Jan 1 1987. Correction for September 28. Nigerian Naira; 6.74.

MONEY MARKETS

London money rates barely changed

INTEREST RATES moved sharply higher in Frankfurt yesterday, following news of plans to impose a 10 per cent withholding tax on most investment etrnings. Domestic and overseas investors were expected to review the posiion with a view to switching a greater percentage of their portfolios outside West Germany.

UK clearing bank base lending rate 10 per cent since *August* 7

This pushed interest rates higher, reflecting the prospect of a heavy drain on liquidity and also as an attempt to hol on to investment funds. Three-month interbank money rose to 4.75-14.90 per cent from 4.55-4.70 per cent while the six-month rate moved up to 4.85-5.00 per cent compared with 4.65-4.80 per cent.

Call money was steady at 3.75-3.85 per cent. Traders were waiting to see how the Bundesbank would compensate for DM 14.4bn leaving the money market this week as sale and repurchase agreements, arranged by the Bundesbank, expire.

Most speculation centred on whether the authorities would stabilise rates after the recent rises, announcing a tender by volume at a fixed rate or whether they would stick to the formula used in the last two facilities, allowing greater flexibility in pitching the rate.

In London the Bank of England forecast a flat position with factors affecting the market including the repayment of any late assistance and bills maturing in official hands togetheer with a take up of Treasury bills draining £449m and banks' balances brought forward £90m below target. These were offset by Exchequer transactions which added £180m and a fall in the note circulation of £375m.

The Bank gave no assistance in the morning or in the afternoon.

Interest rates showed little overall change. Sterling remained steady to firm but the Bank of England was active in rather subdued foreign exchange trading to ensure that the pound kept below DM 3.00. Three-month interbank money was quoted at 10¼-10⅛ per cent from 10⅛-10⅛ per cent while the one year rate remained at 10⅞-10⅞ per cent.

Overnight money opened at 9¾-9½ per cent and eased gently down to 4 per cent before finishing at 6 per cent bid.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 12) 3 months U.S. dollars		6 months U.S. dollars	
bid 8¾	offer 8⅞	bid 8⅞	offer 9⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9¼
Broker loan rate	8¾-9
Fed. funds	7½
Fed funds at intervention	7⅞

Treasury Bills and Bonds

One month	6.34	Three year	9.24
Two month	6.52	Four year	9.47
Three month	6.97	Five year	9.59
Six month	7.70	Seven year	9.81
One year	8.21	10 year	9.96
Two year	8.99	30 year	9.98

October 12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.75-3.85	4.00-4.15	4.00-4.15	4.65-4.80	4.80-4.95	5.0
Paris	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	8⅛-8¼	8⅞-8⅞	7¾
Zurich	1⅞-1⅛	3⅞-3½	—	4⅞-4⅛	—	—
Amsterdam	5⅛-5⅞	5⅛-5⅞	—	5⅞-5⅞	—	—
Tokyo	3.28125	3.78125	—	3.90625	—	—
Milan	10⅞-11⅛	10⅞-11¼	—	11⅞-12⅛	—	—
Brussels	4.05	6⅞-6⅞	—	6⅞-6⅞	—	—
Dublin	8⅞-9⅛	8⅞-9⅛	9-9⅛	9⅛-9½	9⅞-9⅞	—

LONDON MONEY RATES

October 12	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9⅞-4	9⅞-9½	9⅞-9⅞	10⅛-10⅛	10⅞-10⅞	10⅞-10⅞
Sterling CDs	—	—	9⅞-9⅞	10⅛-10⅛	10⅞-10⅞	10⅞-10⅞
Local Auth'rity Deps.	9⅞	9⅞	9⅞	10⅛	10⅞	10⅞
Local Authority Bonds	—	—	10⅛	10⅛	10⅛	10⅛
Discount Mkt. Deps.	9⅞-7	9⅞-9⅞	9⅞	9⅞	—	—
Company Deposits	9⅞-9⅞	9⅞	9⅞	10⅛	10⅛	10⅞
Finance House Deposits	—	—	9⅞	10⅛	10⅞	10⅞
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	10	—
Fine Trade Bills (Buy)	—	—	10⅛	10⅛	10⅛	—
Dollar CDs	—	—	7.95-7.90	8.75-8.70	8.95-8.90	9.40-9.35
SDR Linked Deposits	—	—	6⅞-6⅞	7⅛-6⅞	7⅛-7	7⅛-7⅛
ECU Linked Deposits	—	—	7⅛-7	7⅛-7⅛	7⅛-7	7⅛-7⅛

Treasury Bills (sell); one-month 9⅞ per cent; three-months 9¾ per cent; Bank Bills (sell); one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills: Average tender rate of discount 9.7708 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1987. Agreed rates for period October 26 to November 24 1987, Scheme I: 11.42 p.c., Schemes II & III: 11.47 p.c. Reference rate for period August 29 to September 30, 1987, Scheme IV: 10.219p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ p.c. from October 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3¼ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8½ per cent; three-six months 10 per cent; six-nine months 10¼ per cent; nine-12 months 10¼ per cent; Under £100,000 8 per cent from September 15, Deposits withdrawn for cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	MONDAY OCTOBER 12 1987: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	FRIDAY OCTOBER 9 1987: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1987 High	1987 Low	Year ago (approx)
Australia (91)	167.25	-1.5	149.97	153.18	2.57	169.81	152.49	156.15	180.81	99.92	88.82
Austria (16)	101.34	-0.5	90.86	95.50	2.18	101.85	91.46	96.08	102.97	85.53	94.60
Belgium (48)	123.98	-1.4	111.16	113.72	4.10	125.71	112.88	117.34	134.89	96.19	89.94
Canada (129)	133.11	+0.2	119.35	125.69	2.33	132.86	119.31	125.69	141.78	100.00	98.22
Denmark (38)	121.63	+0.1	109.06	114.85	2.55	121.49	109.10	115.17	124.83	98.18	97.43
France (122)	105.29	-2.4	94.41	99.80	2.77	107.93	96.92	102.30	121.82	98.39	97.21
West Germany (93)	98.92	-1.1	88.70	93.24	2.03	100.00	89.80	94.28	104.93	84.00	94.54
Hong Kong (46)	155.71	+0.4	139.62	156.01	3.11	155.12	139.30	155.50	158.68	96.89	90.29
Ireland (14)	160.22	+0.1	143.66	152.44	2.95	160.08	143.75	152.51	160.22	99.50	80.75
Italy (95)	95.54	+0.0	85.66	93.33	2.03	95.50	85.76	93.47	112.11	84.22	102.33
Japan (458)	150.15	+0.2	134.63	135.96	0.50	149.78	134.50	136.14	161.28	100.00	96.59
Malaysia (36)	178.87	-0.9	160.38	174.65	2.05	180.46	162.05	176.29	183.64	98.24	94.49
Mexico (14)	404.42	+1.5	362.61	704.60	0.43	398.50	357.84	693.63	422.59	99.72	78.04
Netherland (37)	121.17	-1.3	108.65	112.82	3.98	122.71	110.19	114.31	131.41	99.65	95.93
New Zealand (24)	133.81	+1.5	119.97	106.67	2.78	132.12	118.64	105.07	138.99	83.55	78.29
Norway (24)	180.64	-0.5	161.96	162.49	1.68	181.57	163.05	163.58	185.01	100.00	104.90
Singapore (27)	170.79	-0.4	153.14	164.81	1.50	171.54	154.04	165.55	174.28	99.29	101.66
South Africa (61)	189.21	-0.1	169.65	137.88	3.04	189.44	170.11	138.06	198.09	100.00	101.48
Spain (43)	168.16	+0.2	150.78	153.19	2.59	167.74	150.63	153.19	168.81	100.00	98.91
Sweden (34)	135.06	-1.0	121.10	127.21	1.80	136.43	122.52	128.81	136.64	90.85	99.15
Switzerland (53)	108.94	-1.3	97.68	101.48	1.63	110.33	99.08	103.15	111.11	92.01	95.69
United Kingdom (335)	159.61	-0.9	143.11	143.11	3.15	160.98	144.56	144.56	162.87	99.65	92.79
USA (584)	126.58	-0.6	113.50	126.58	2.92	127.30	114.31	127.30	137.42	100.00	98.12
Europe (952)	128.52	-1.0	115.23	118.48	2.80	129.76	116.52	119.79	130.02	99.78	95.18
Pacific Basin (682)	150.89	+0.2	135.29	137.00	0.68	150.66	135.28	137.27	158.77	100.00	96.05
Euro-Pacific (1634)	142.00	-0.2	127.32	129.61	1.45	142.34	127.82	130.29	143.65	100.00	95.71
North America (713)	126.93	-0.5	113.81	126.56	2.89	127.59	114.58	127.24	137.55	100.00	98.32
Europe Ex. UK (617)	109.19	-1.1	97.90	103.05	2.48	110.35	99.10	104.27	111.97	98.02	96.66
Pacific Ex. Japan (224)	160.16	-0.6	143.61	150.00	2.69	161.15	144.72	151.34	164.03	99.92	89.26
World Ex. US (1838)	142.36	-0.2	127.64	129.90	1.50	142.67	128.11	130.54	143.77	100.00	95.85
World Ex. UK (2087)	133.93	-0.3	120.09	127.44	1.87	134.31	120.61	128.04	138.82	100.00	97.09
World Ex. So. Af. (2361)	135.88	-0.3	121.83	128.79	2.00	136.30	122.44	129.47	139.47	100.00	96.67
World Ex. Japan (1964)	129.56	-0.7	116.17	125.34	2.84	130.44	117.13	126.26	134.82	100.00	96.75
The World Index (2422)	136.22	-0.3	122.14	128.90	2.01	136.69	122.74	129.57	139.73	100.00	96.70

Base values: Dec 31, 1986 = 100
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Constituent changes : The following stocks have been deleted.Scottish National Trust (UK), Supermarkets General (US), Taft Broadcasting (US), Murphy Oil Canada (Can), Farmitalia Carlo Erba (Ord & Non/Conv. Savings) (Italy).
Canadian & Spanish markets closed for public holidays October 12.
The World Index Policy Committee is considering the introduction of a Finnish Index.Proposals and submissions by interested parties should be addressed to the Committee at The Financial Times (room 2035) no later than November 6 1987.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Last	Feb 88 Vol.	Last	May 88 Vol.	Last	Stock
GOLD C	$500	48	2.70	46	9.40	—	—	$462.10
GOLD C	$520	10	0.80	—	—	—	—	"
GOLD P	$420	—	—	—	—	45	4.30	"
		Oct. 87		**Nov. 87**		**Dec. 87**		
$/Fl C	Fl.200	—	—	—	—	140	5.10	Fl.203.97
$/Fl C	Fl.205	9	0.50	50	1.80	42	2.50	"
$/Fl C	Fl.210	—	—	—	—	1	0.70	"
$/Fl P	Fl.195	—	—	10	0.60	10	0.90	"
$/Fl P	Fl.200	6	0.20	—	—	27	1.80	"
$/Fl P	Fl.205	27	1.70	10	2.80	10	4.10	"
		March 88		**June 88**		**Sep. 88**		
$/Fl C	Fl.195	—	—	—	—	7	9.70	Fl.203.97
$/Fl C	Fl.205	24	3.50A	3	4.20	11	4.70B	"
$/Fl C	Fl.210	14	1.70	—	—	—	—	"
$/Fl C	Fl.215	—	—	2	1.90	—	—	"
$/Fl P	Fl.195	70	2.50	2	4	—	—	"
$/Fl P	Fl.200	86	4.50	—	—	—	—	"

		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.45	60	0.10	480	2	271	3.50	Fl.44.20
ABN P	Fl.48	1747	4.10	1385	4.10B	180	4.30B	"
AEGON C	Fl.90	39	0.10	30	3.20	3	5.60B	Fl.85.40
AEGON P	Fl.85	132	1.10	54	3.50	10	5.10A	"
AHOLD C	Fl.100	22	1.10	2	6	5	8.50	98.70
AHOLD P	Fl.100	270	1.70	134	5	—	—	"
AHOLD C	Fl.95.50	15	3.50A	—	—	—	—	"
AHOLD P	Fl.95.50	25	0.90	—	—	—	—	"
AKZO C	Fl.170	1108	1.40	497	8.80B	101	14	Fl.169.10
AKZO P	Fl.170	582	2.20	211	8.60	62	9.70B	"
AMEV C	Fl.60	18	0.10A	872	2.20	99	4.50	Fl.57.20
AMEV P	Fl.60	90	3.20	79	3.70	406	4.50	"
AMRO C	Fl.80	129	0.40	371	4.10	21	6.30	Fl.79.50
AMRO P	Fl.85	155	6	88	6.50	17	7.40	"
ELSEVIER C	Fl.56	209	1.10	—	—	—	—	Fl.58.90
ELSEVIER P	Fl.60	333	4.50	60	5.60	31	7.80	"
GIST-BROC. C	Fl.45	168	2.60	26	3.50	—	—	Fl.47.70
GIST-BROC. P	Fl.50	118	2.30	140	3.50	8	5	"
HEINEKEN C	Fl.170	10	1.50	33	8	—	—	Fl.169.50
HEINEKEN P	Fl.170	92	1.50	147	5.70B	—	—	"
HOOGOVENS C	Fl.50	8	0.10	147	2	19	4	Fl.46.80
HOOGOVENS P	Fl.50	252	3.50A	50	5.20	—	—	"
KLM C	Fl.50	698	0.60	198	3.90	147	6	Fl.50
KLM P	Fl.50	580	0.80	160	2.80	191	3.50	"
NEDLLOYD C	Fl.180	71	9.50	16	19	—	—	Fl.188.10
NEDLLOYD P	Fl.190	80	2.70	142	11.50	—	—	"
NAT.NED. C	Fl.70	96	0.50	262	3.60	35	5.60	Fl.68.60
NAT NED P	Fl.75	299	6.80	133	7	25	7.50B	"
PHILIPS C	Fl.50	930	1.10	2108	3.40	603	4.80	Fl.50.90
PHILIPS P	Fl.55	638	4.20	2581	5.20	1417	6.30	"
ROYAL DUTCH C	Fl.260	498	1	152	10.10	26	18	Fl.257.60
ROYAL DUTCH P	Fl.260	354	3.60	251	9	263	12	"
ROBECO C	Fl.110	23	0.30	—	—	—	—	Fl.109.50
UNILEVER C	Fl.144	15	0.10	385	4	—	—	Fl.133.80
UNILEVER P	Fl.136	499	3.40	318	7.30	—	—	"

TOTAL VOLUME IN CONTRACTS: 53,072
A=Ask B=Bid C=Call P=Put

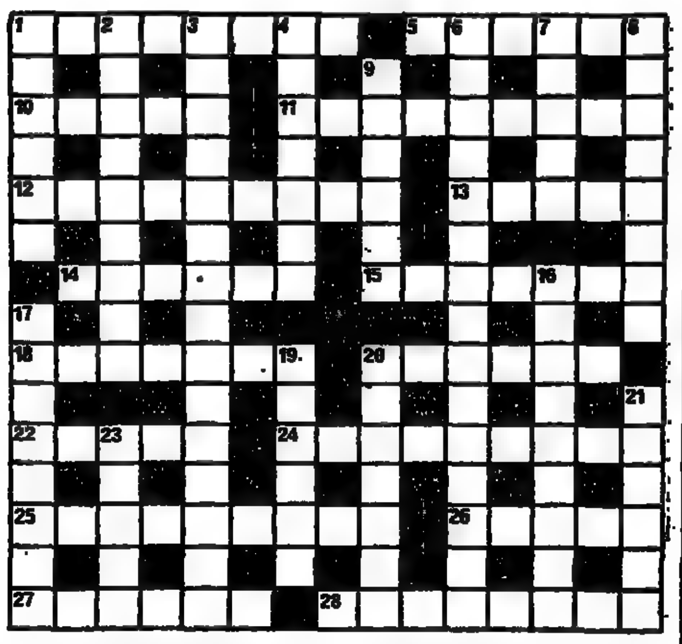
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'l Tst G'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank. Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit. Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Surewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

FT CROSSWORD PUZZLE No. 6,454

TANTALUS



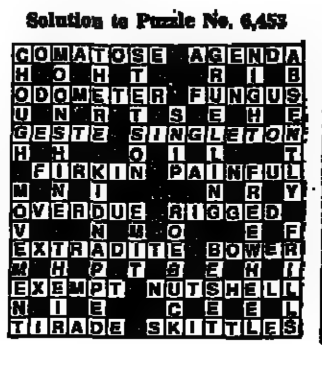
ACROSS

1. North American chief providing long story by Sir Thomas (8)
5 Train a group of aquatic animals (6)
10 Carthaginian cup in Smithereens (5)
11 One cooking eggs making speech unintelligible? (9)
12 Turn a pail clumsily and need waterproof sheet (9)
13 Beer contains very soft costard for example (5)
14 Protects escutcheons (6)
15 Protects escutcheons (7)
18 Taverns employed attendant (7)
20 Guard dispatched to outskirts of Rugby (6)
22 Finished over (5)
24 *Pussyfoot set a brain-teaser* (9)
25 Surprisingly Grace lies, which is impiety (9)
26 Makes appointment with the German outside theatre (5)
27 Communist look! Here is cheap American whisky (3-3)
28 Athletics officials see first courses (8)

DOWN

1 In the US, potatoes appear as tropical fruit! (6)
2 Apparatus producer (9)
3 29th September—girl gets a flower (10, 5)
4 Steals rigged results (7)
6 Friend on steps seen on board (9, 6)
7 Game taken up—about right for lowest deck (5)
8 Generosity shown by collecting eelgrass (8)
9 Allows American general to join son (6)
16 Get to learn without a new pair of spectacles (9)
17 Legal adviser to fix value of gold (8)
19 Journey by the first French composer (6)
20 Always ——— everybody (Dickens) (7)
21 Has faith in managed estates (6)
23 Took a chance with many frozen (5)

Solution to Puzzle No. 6,453



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth				0345 717373
High Income				
American Income	93.2	96.5	-0.3	4.64
Gilts & Fixed Int.	109.4	115.7xd	+0.5	10.37
High Inc Equity	150.2	159.7xd	-0.1	3.35
Worldwide Bond	180.9	192.4	-0.5	5.04
Capital Growth				
American Growth	175.8	186.9	-1.5	0.96
Asian Pacific	106.6	113.5	+0.5	1.30
Assets & Earnings Tst	200.7	213.5	+1.1	0.95
Capital Reserve	73.3	73.7	—	1.37
Commodity & Energy	189.2	201.2xd	-2.4	0.00
European Capital	94.9	100.9	-1.2	0.74
General	276.8	293.5	-0.9	2.15
Japan	94.6	100.6xd	-0.4	0.0
Mastertrust	91.7	97.4	-0.2	2.15
UK Growth Acc Units	291.5	310.0	+3.1	0.91
UK Growth Dist	198.9	211.5xd	+2.1	1.33
U.S. Emerging Co's	56.7	60.3	-0.3	0.00
Income & Growth	324.7	345.4	-1.0	2.23
Ethical Growth	47.1	50.1	-0.1	2.50
Abtrust Management Ltd				
10 Queens Terrace, Aberdeen AB9 1QJ				0224 633070
Abtrust UK Growth Fd	43.7	46.4xd	-0.2	1.80
Abtrust Hgh Am Inc (z)	28.0	29.8xd	-0.2	2.96
Abtrust World Gth Fd	48.0	51.0	-0.4	0.72
Abtrust Extra Inc Fd	48.3	51.3xd	—	3.99
AEtna Unit Trusts Ltd(a)(b)(c)				
401 St John St, London EC1V 4QE				01-837 6494
European Growth	135.2	144.0	-0.9	1.35
Ensign	485.9	510.3xd	—	3.59
(Accum Units)	1160.4	1218.5	-0.1	3.59
Far Eastern	268.0	284.6xd	+0.8	0.10
(Accum. Units)	289.7	309.8	+0.9	0.10
Fin & Property	115.6	122.5	+0.8	1.41
(Accum. Units)	183.4	194.4	+1.4	1.41
High Yield	92.9	98.4	+0.2	3.72
(Accum. Units)	212.6	225.2	+0.4	3.72
Income	374.7	396.9xd	-0.3	3.24
(Accum Units)	1223.6	1285.6	-0.8	3.24
Intl Earnings	242.2	256.6xd	-0.8	1.71

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	88.4	[illegible]	+0.1	8.01
(Accum Units)	105.1	[illegible]	+0.1	8.01
Global Fund	55.1	58.5	-0.5	0.64
(Accum Units)	55.1	58.5	-0.5	0.64
High Income Fund	56.8	60.1	-0.1	4.37
(Accum Units)	57.7	61.0	-0.1	4.37
High Interest Fund	43.9	46.4	-0.5	9.58
(Accum Units)	45.2	47.8	-0.6	9.58
Income	134.2	142.0	+0.3	2.74
(Accum Units)	154.9	163.9	+0.3	2.74
International	311.8	329.9	-2.4	1.84
(Accum Units)	390.2	412.9	-2.9	1.84
Japan	217.1	229.7	-2.6	0.71
(Accum Units)	222.8	235.7	-2.7	0.71
Pacific Fund	61.8	65.3	-0.9	0.10
(Accum Units)	61.8	65.3	-0.9	0.10
Recovery	345.2	365.3	+1.0	1.90
(Accum Units)	375.5	397.1	+1.1	1.90
UK Smaller Co's Fund	59.6	63.0	+0.3	1.56
(Accum Units)	60.1	63.5	+0.3	1.56

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Oct 7	645.0	654.5	—	1.05

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 49184

UK Income Fund	67.0	71.2	—	4.21
Accum Units	67.7	72.0	—	4.37
UK Growth Fund Acc	67.9	72.3	+0.5	1.38
Global Income Fund	50.8	54.0	-0.3	3.70
Accum Units	50.8	54.0	-0.3	3.70
Global Growth Fund	51.0	54.3	-0.5	0.46

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	137.6	146.1	+0.8	1.05
(Accum Units)	190.2	201.8	+1.1	1.05
Commodity & Gen.	198.8	211.0	-0.1	1.28
(Accum Units)	283.7	301.1	-0.2	1.28
European Growth	135.8	144.1	-1.3	0.96
(Accum Units)	163.8	173.8	-1.6	0.96
Extra High Inc.	76.2	80.9	-0.3	6.16
(Accum Units)	94.8	100.5	-0.4	6.16
Gilt & Fxd. Int.	51.8	54.2	-0.1	8.62
(Accum Units)	92.2	96.3	-0.2	8.62
High Yield	235.9	250.3	-0.5	3.86
(Accum Units)	417.4	442.9	-0.9	3.86
Income	262.9	278.8	-1.0	2.48
(Accum Units)	444.6	471.8	-1.8	2.48
Intl High St UT	63.0	67.0	+0.2	1.75
Do. Accum	63.0	67.0	+0.2	1.75

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	128.4	136.6		0.94
PM Income and Growth	108.9	115.9	+0.1	2.86
PM N American Growth	55.4	58.9	-1.0	0.35
PM European Growth	53.3	56.4	-0.3	0.55
PM Japan Growth	72.2	76.8	-0.4	0.35
PM Overseas Growth	55.6	59.1	-0.7	0.42

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst.	86.4	91.9	—	0.38
Holborn Equity Income	79.2	83.8	—	3.87
Holborn Equity Tst.	621.9	658.0	—	2.05
Holborn European Tst.	130.6	138.1	—	0.60
Holborn Gilt Tst.	206.9	215.8	—	2.21
Holborn High Inc Tst.	93.3	98.7	—	4.37
Holborn Intl Grth Tst.	128.0	135.4	—	0.44
Holborn Intl Sm Cos.	48.4	51.2	—	0.05
Holborn Japanese Tst.	143.6	151.9	—	0.04
Holborn N. Amer. Tst.	95.9	101.4	—	0.48
Holborn Sm Cos Tst.	85.8	90.7	—	1.39
Holborn Spec Sits Tst.	114.2	120.8	—	1.21
Holborn UK Growth Tst.	125.5	132.8	—	1.41

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	692.8	739.2	-0.3	1.38
Quadrant Income	353.9	374.8	+1.8	0.38
Quadrant Intl. Fund	461.1	488.0	-0.5	1.03
Quadrant Spec. Sits.	495.4	526.3	+3.1	1.11

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	254.1	270.0	-1.3	2.29
Reliance Unit Tst (Inc)	180.5	191.9	-0.2	1.37
Reliance Ut Tst (Acc)	241.9	256.4	-0.3	1.37

Rowsberg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	50.8	53.8	-0.7	1.49

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-434 2981/4

NC America (Inc)	321.2	347.4	-3.5	0.44
NC America (Acc)	354.3	376.8	-3.8	0.44
NC Inc Fd.	134.1	142.8	+0.1	2.90
NC Japan Fd.	221.8	235.9	-0.8	0.00
NC Major UK Cos Fd.	75.0	79.7	-0.2	1.40
NC Smlr Australasian	96.0	102.1	+0.1	0.61

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assur.—Contd.

Royal Life Insurance Ltd

Royal Life Assce (Life & Pensions)

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Skandia Life Assur.—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Sun Life Pensions Management Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd

Teachers' Assurance Company Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

For Tyndall Assurance/Pensions see Anton Life

UK Life Assurance Co Ltd

UK Provident

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Bryan Wells & Partners Ltd

Clive de Vere Investments Ltd

Clifton Financial Mgmt Ltd

Delbury Colne Financial Mgt. Ltd.

FPS Management Ltd.

First Financial Services PLC

Fitzgrade Ltd

Investment Portfolio Services Ltd

Johnson Fry Plc

Knight Williams & Company Ltd

Lamont & Partners Ltd.

M & E Financial Management Plc

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

The Moneymaster Group

Old Oak Investment Services

Optimum Fund Mgmt Ltd

PBR Fund Management Ltd.

The Porchester Group

Roxborough Financial Services Plc

Sharp (Albert E.) & Co

Towry Law & Co

University Medical General Ltd

J. D. Ward & Co Ltd

Ward Consultancy

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

Abbey Global Investment Fund

Aitken Hume Investment Fund SA

Asia Investment

AEtna Intl Assurance (Bermuda) Ltd

Allied Dunbar International Assurance Ltd

Allied Dunbar International Fund Mgrs

Allied Irish Fund Managers (CI) Ltd

Anglo-Swiss Asset Management Ltd

Asset Global Funds Ltd

BAII Multicurrency (SICAV)

BIA Bond Investments AG

Banque Indosuez

Bank of Bermuda

Barclays Intl Funds

Barclays Intl Fund Managers—Contd.

Baring Fund Managers (Guernsey) Ltd

Baring International Group

Barrington Mgmt (CI)—Barrington Fd

Bishopsgate Commodity Ser. Ltd

Brent Capital Services Ltd

Bridge Management Guernsey Ltd

Bridge Management Ltd

Bridge Singapore Asset Mngmt Ltd

Brown Shipley Fund Mgt (CI) Ltd

Butterfield Management Co Ltd

CAL Investments (IoM) Ltd

CMI Financial Mngmt Services Ltd

CRC Asset Management Limited

Capital House Investment Management Ltd

Capital International

Cater Allen Investment Management (CI)

Charterhouse Fund Mngt. (C.I.) Ltd

CitiBank (CI) Ltd "Citifunds"

Cortoon International

Credit Suisse

Creditanstalt Asset Mngmt Ltd

DWS Deutsche Ges. F. Wertpapiersp

Daiwa Investment Trust Co Ltd

Dartrust Management (Guernsey) Ltd

Dean Witter World Wide Investment Trust SA

Delta Group

Deutscher Investment-Trust

Drexel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd

Dunedin Unit Trust Mgrs (Bermuda) Ltd

Dunn & Hargitt Group

EBC Trust Company (Jersey) Ltd

Elders (Switzerland) Invest. Mngt. SA

Equitable International Mngt Ltd

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Treas. 12pc 1987	[illegible]	—	—	—
[illegible]	[illegible]	Treas 7¾pc 1985-88‡‡	[illegible]	—	7.88	9.71
[illegible]	[illegible]	Exch 10½pc '88	[illegible]	[illegible]	10.48	10.21
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	—	9.78	10.21
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	—	3.10	7.81
[illegible]	[illegible]	Treas. 9½pc '88	[illegible]	[illegible]	9.56	10.17
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	—	11.38	10.26
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.59	10.18
[illegible]	[illegible]	Treas 5pc 1989	[illegible]	[illegible]	9.22	7.55
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.47	10.29
[illegible]	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	10.06	10.31
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.87	10.28
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	—	5.37	8.75
[illegible]	[illegible]	Exch 10½pcCv '89	[illegible]	[illegible]	10.19	9.95
[illegible]	105	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.32	10.14
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.84	10.24
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	—	11.95	10.22
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	—	3.38	7.07
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.61	10.06
105	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	10.01	10.26
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.91	7.61
[illegible]	102	Treas 11¾pc 1991	[illegible]	—	11.31	10.28
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.43	7.37
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.54	7.95
[illegible]	99	Treas 10pc Cv '91 ‡‡	[illegible]	—	9.97	9.87
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	—	10.74	10.24
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.77	10.26
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	—	10.09	10.22
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	—	8.70	10.25
[illegible]	[illegible]	Treas 10¼pc Cv 1992‡‡	[illegible]	[illegible]	10.40	10.25
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.74	8.03
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	—	11.43	10.31
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	12.00	10.35

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	27¾	Utex NY Comm $5	32	–¼	$1.16	—	2.2
18¼	13⅞	Rockwell Intl. $1	13⅞	–¼	60c	—	2.9
30	22⅞	Sara Lee $1	26	–	$1.00	—	2.4
11	8⅞	Saul (B. F.) $1	12¼		20c	—	1.1
27½	21	Southwestern Bell $1	25¾	–¼	h$2.32	—	5.5
22¼	14¼	Staley Continental	17¾	–1½	80c	—	2.8
44	34	Sun Co. Inc. $1	34⅝	+	$3.00	—	5.3
42¼	28½	TRW Inc. $0.625	36⅝	–1¼	h$1.60	—	2.7
37¾	25⅞	Tenneco $5	36	–½	$3.04	—	5.2
220	149½	Do. 10pcLn.Stk. 91-5	220		10%	—	4.7
29⅝	17	Texaco $6.25	24	–¼	$3.00	—	7.7
74	47⅝	Time Inc. $1	61	–1	$1.00	—	1.0
19¼	11	Tracor $0.33	19½		40c	—	1.3
30¼	18⅞	Transamerica $1	24	–½	$1.84	—	4.5
14½	1¼	Transworld Corp $5	11¼	+¼	20c	—	1.0
27⅛	14⅞	TRINOVA Corp.	23¼	–¼	h$1.00	—	2.6
24	15	USX $1	22¼	+⅝	$1.20	—	3.3
19⅝	15	Union Carbide $1	17⅞	–½	$1.50	—	5.1
37⅞	26⅞	Utd. Technologies	32	–⅛	$1.40	—	2.7
38⅝	27	US West	34⅞	–¼	$3.28	—	5.9
30½	17⅛	Waste Management $1	27	–1	—	—	—
£31½	£20½	Whirlpool $1.0	£21¼	–½	—	—	—
37⅛	26	Woolworth $3½	28⅞		$1.32	—	2.8

CANADIANS

1987 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	362p	ABM Gold Corp	467p	+16	—	—	—
21½p	10p	Alton Energy Corp.	18½p		—	—	—
18¼	50bp	Amer. Barrick Res.	16½	+¼	—	—	—
136p	32p	Amer. Doleco	78½p	–2½	—	—	—
141p	32½p	American Lightwave	32½p	–2½	—	—	—
122p	52p	Armeno	77½p	–1½	—	—	—
		Augmitto Explo	97½p	+3	—	—	—
19⅛	13½	Bk. Montreal	13½	–¼	$2.00	—	6.8
10½	631p	Bk. Nova Scot.	631p	–37	72c	—	5.3
20⅝	17¼	BCE	17¼	–⅛	$2.40	—	6.4
10⅛	712p	Bow Valley	880p	–20	40c	—	2.1
20	12⅝	Brascan	17⅛		88c	—	2.3
609p	277p	Breakwater Res.	371p		—	—	—
11⅝	880p	Can. Imp. Bk. $2	880p	–38	$1.08	—	5.6
14	865p	Can. Pacific	12⅞		60c	—	2.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS—Cont

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
430	268	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
179	49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
245	92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67½	36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1000	470	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
155	73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
185	116	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
£176	£19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
414	252	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
400	170	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
193	88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
210	112	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77½	42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
141	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
314	199	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
676	396	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
620	303	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
293	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
406	242	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
413	324	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
195	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
367	188	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
341	188	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
479	268	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
170	38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
543	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
£12	795	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
246	158	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
596	147	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
158	84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
520	370	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
436	166	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
575	339	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
167	73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
281	108	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
575	399	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
£118	£101	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
153	54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
205	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES—Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£11¼	804	Prudential	£11¼xd	-¼	†29.0	—	3.5	—
598	433	Refuge 5p	595	-4	15.75	—	3.6	—
595	423	Royal	582	-6	†1015.5	—	3.6	—
118	93	Sabre Ins. Inv.	116	—	—	—	—	—
*345	274	Sedgwick Group 10p	294	-2	12.0	1.7	5.6	12.6
339	207	Steel Burrill J.10p	245	—	19.0	2.0	5.1	13.5
668	403	Stewart Wr. 20p	618	—	♦13.0	2.0	2.9	21.9
612	377	Sturge Hldgs 20p	580	-2	16.0	2.5	1.6	32.8
£12¼	645	Sun Alliance	£12	-¼	123.5	—	2.7	—
£13	929		£13	—	128.5	—	3.0	—
[illegible]	£39	♥Taisho M EDR	[illegible]	+¼	[illegible]	—	0.8	—
£22¼	£14¼	Torchmark $1.00	£18½	-¼	Q$1.00	—	3.3	—
395	235	Trade Indemnity	395	+5	14.3	—	1.5	—
£34	£24¾	Travelers $1.25	£27¼	+¼	$2.28	—	5.1	—
£30¼	£22¼	USF & G Corp $2.50	£23¾	-¼	Q$2.48	—	6.4	—
£33¼	£20¼	USLIFE Corp. $1.0	£22¾	-1	Q$1.20	3.2	3.2	9.0
733	555	♦Ind Friendly B 10p	733xd	+8	21.0	—	3.9	—
464	345	Willis Faber 12½p	410	-8	†10.75	2.4	3.6	15.6
128	41	Windsor Secs. 10p	115	—	10.7	1.5	0.8	—

LEISURE

1987 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
39½	17½	♦A & M Group 10p	24	—	—	—	—	♦
242	181	Airtours 10p	192	—	Ɫ5.4	2.5	4.0	14.0
*549	302	Anglia TV	498	-3	†g11.25	3.3	3.1	13.8
305	78	Arley	300	—	—	—	—	—
194	108	♦Aspinall Hldgs. 10p	179	+3	♦6.0	1.2	4.6	24.5
141	63	♦Avesco 1p	110	—	0.5	6.7	0.6	31.1
71	40	♦BCE Hldgs 5p	78½	+6	L61.0	♦	1.9	♦
300	132	Barr & W.A.T. 'A'	292	—	18.0	1.4	3.8	23.8
58	44	Bond Media	48	—	—	—	—	—
235	165	Boosey & Hawkes	230	—	—	—	—	—
83	45	♦Border T.V.	60	—	1.4	♦	3.2	♦
*439	43½	Brent Walker 10p	432	+12	†g8.5	2.2	3.2	20.7
124	102	Do 6pc.Cv.Cm.Rd.Pf	123	+2	6.0	—	6.7	—
*338	110	Campari Int. 20p	335	+10	13.0	5.1	1.2	17.2

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

*New time dealings may take place from 9.00 am two business days earlier.

Glaxo falls sharply in weak equities but bonds respond to a firm pound

The UK stock market suffered a hefty setback yesterday when disappointing profit figures from Glaxo, the pharmaceutical stock most favoured by the fund managers, fell onto an equity sector already unsettled by last week's slide on Wall Street.

But with the pound very firm, especially against the German mark, British Government bonds moved higher. Satisfaction with the latest UK Producer Price Index helped outweigh the nervousness over US interest rates which persisted despite the closure of the New York bond markets for Columbus Day.

Share prices opened lower as London traders responded to Friday's fall of 34 points in the Dow Average. Confidence was not helped by news of substantial staff layoffs at the UK arm of Chemical Bank, nor by the announcement of similar personnel cutbacks at Salomon Bros, the big US securities house.

But the blow to the body came when Glaxo disclosed profits for this year of £746m pre-tax, against market forecasts which ranged above £800m. A fall of around £1 in Glaxo shares, which figure prominently in most large fund portfolios, upset the market badly.

The FT-SE 100 (Footsie) Futures Index fell heavily, cutting its premium over the underlying index from 50 to around 30 points. This stimulated further selling of the blue chips.

The fall in the FT-SE 100 Index itself was quickly doubled to show a loss of more than 23 points . Little recovery was made and the closing level of 2338.5 on the FT-SE 100 represented a net loss on the day of 28 points. The FT Ordinary Index fell 23 to 1835.2.

The weakness in Glaxo stock increased when Wall Street opened and US holders began to sell the shares, undeterred by the market sluggishness caused by the Columbus Day closure of the Federal banks.

Dr Ahnab Banerji of Nomura Securities, one of the first to recommend Glaxo stock a year ago, expects to write a negative report on the shares, which, after yesterday's loss, stand on a par with growth multiples elsewhere in the market - "poleaxing for Glaxo", he commented.

Other pharmaceuticals also weakened, Wellcome, which now faces moves in the US Senate to remove "orphan drug" protection from its important anti-AIDS drug, falling smartly.

The rest of the market remained depressed throughout the session by Glaxo's setback, but traders said that selling was modest. Insurance shares began to react to the upward pressure on US interest rates, the firm exception being Legal and General, still buoyed by bid hopes.

In oil shares, there was some selling of Shell as the big funds positioned themselves for the £7.5bn British Petroleum privatisation sale due at the end of the month.

There were bright spots in the market, but these mostly reflected special situations. Jaguar stood out firmly after announcing record output figures for the first nine months of this year. In the financials, Midland came in for renewed speculative support, while weekend press suggestion that Security Pacific may make a takeover offer boosted Morgan Grenfell.

Against this gloomy backcloth in the equity market, and renewed losses in US bonds in Tokyo, UK Government bonds stood up well. Prices opened lower but met good retail support as the pound turned higher in the second half of the session.

At the close, gains ranged to ¾ of a point at the longer end. Index-linked issues remained quiet, as the market took the view that a 0.2 per cent advance in UK Producer Prices in September left inflation perceptions unchanged. Interest in the clearing banks was focussed on Midland which moved up 4 to 553p following reports that further stake-building operations have been in progress in recent sessions; Prudential were rumoured to have been buyers yesterday as were "down-under" interests.

But interest in the other leading banks was much smaller.NatWest slipped 9 to 758p, Lloyds 5 to 353p and Barclays 3 to 620p.

Press comment suggesting that a re-rating of the shares is currently underway gave a boost to TSB which settled a further 3 up at 148p.

Takeover speculation in the merchant banks sector tended to die down after the intense activity triggered by the bids for Guinness Peat and Hill Samuel in recent weeks. Reports that Morgan Grenfell could be the target of US investment house Security Pacific,which already controls Hoare Govett,and rumours that Morgan Grenfell may well be interested in buying Wood Mackenzie from Hill Samuel/TSB failed to inspire Morgan shares which held at 589p.Kleinwort Benson, expected to go ex-rights in the middle of the week, aded 7 at 647p.

The dreadful weather across the UK over the weekend upset the composite insurance sector.Commercial Union, a strong market recently amid talk that a near 5 per-cent stake is about to be announced, dipped 7½ to 445½p, while Guardian Royal Exchange fell 22½ to 1065p and Sun Alliance 19½ to 1193p

Bass suffered as marketmakers cut their books in the continued absence of institutional offtake.The inter-market sales accounted for the bulk of a turnover of only 243,000 shares after which the price was 18 lower at 941p. Guinness were another dull spot, losing 7 to 370 following the latest Takeover Panel investigation into the Distillers' affair.Whitbread came back 7 to 332p but Greenall Whitley remained 237p despite a a newspaper sell recommendation.Last week's star performer Beddington surged higher in response to proposed share exchange terms from Midsummer Leisure and closed 61 up at 228p. Markets makers reported another slow trade in the Building sector and the leaders showed little alteration overall. Barratt Developments hardened a couple of pence to 226p following news of the boardroom changes; market makers saw the move as a possible way to deter potential bidders. Elsewhere, Tarmac shed 4 to 301p despite news that its joint venture with Shell is not to be referred to the Monopolies Commission.

Secondary issues attracted selective buying interest, notably Robert M. Douglas which firmed 7 to 279p.John Laing added 3 to 379p reflecting a broker's recommendation,while Press comment boosted Tay Homes 8 to 458p ans Finlan Group 3 to 155p.Heywood Williams failed to respond to a BZW recommmendation and closed 9 off at 350p.

ICI settled $\frac{1}{8}$ off at £16$\frac{1}{16}$; the third-quarter results are due on October 29.Wardle Storerys were supported at at 742p, up 14, while old takeover favourite James Halstead gained 9 to 290p.

Ratners were a firm market and closed 4 harder at 404p ahead of a company presentation to analysts in Birmingham today.

Elsewhere, Alexon jumped 10 to 456p in the wake of the acquisition of D & H Cohen, the clothing manufacturer, for £14.3m in cash,shares and loan notes.

The lower preliminary profits upset Blanchards which dropped 17 to 143p.

Leading electronics and electrical shares were usually a shade easier but losses were confined to only a few pence in most cases. British Telecom dropped 4 to 289p after the company's meeting with analysts at the end of last week. Plessey gave up 3 to 218p as the company confirmed the Chinese order worth £10m for the System X exchange.

Ferranti, currently bidding for International Signal, eased 6 to 133p as hopes of a counter offer for Ferranti faded.

Thorn-EMI were a shade firmer at 723p;the trip by analysts to the company's US operations starts today. Additionally the market expects Thorn to announce the sale of the majority of its holding in the loss-making semi-conductor manufacturer Inmos during the next month or so.

BSR eased a penny to 140p amid speculation that the company is about to announce the acquisition of the Italian domestic appliance manufacturer Girmi which BSR is thought to want to merge with its Swan brand division and eventually float off on the Stock Market in the spring of 1988 .

Elsewhere Harland Simon jumped 26 to 297p following Press comment.

Press Tools featured in the Engineering sector with a jump of 85 to 525p in the wake of the announcement of board changes which included the appointment of Mr G. Hutchings as non-executive chairman. Ash and Lacy, still responding to last week's interim figures, moved up further to close 12 higher at 725p. Press comment stimulated occasional demand for Davies and Metcalfe, 6 better at 176p. A revival of demand on expansion hopes left Cambird 12 to the good at 240p, while S.W. Wood were also outstanding with a speculative gain of 18 at 183p.

Leading Foods took a cautious line as recent takeover speculation subsided. Dee Corporation, however, continued to attract buyers at 227p, up 3, while ASDA-MFI remained steady at 202p pending news of the Allied Carpets sale. United Biscuits put on 5½ to 322p amid talk of a broker's recommendation, but Northern Foods encountered light profit-taking and settled 3 off at 420p. On Friday, Northern were the subject of stake build-up speculation. Hunter Saphir softened a penny to 304p following details of the acquisition of House of Clarks Group for some £6.3m.

Leading Hotels were dull. Grand Metropolitan gave up 12 at 575p and Trusthouse 6½ at 278p. Ladbroke softened 3 to 460p.

Acute disappointment with the preliminary figures triggered off persistent selling of Glaxo which fell away sharply in a heavy volume of trade (some 12m shares changed hands) before closing 1¾ lower at £15¼. Among other Pharmaceutical issues, Wellcome remained under a cloud following the recent warning by Nomura Securities of possible US legislation regading the exclusivity of the "Orphan Drug" status and fell afresh to close 20 lower at 510p. Fisons drifted off in sympathy with Wellcome to finish 12 cheaper at 367p.

Elsewhere, Press mention prompted a rise of 11 to 138p to in Noble and Lund.Profit-taking clipped 20 from R.W. Toothill, but Stonehill were enlivened by bid hopes and put on 19 to 115p. Johnston Group rallided to 565p, but Reed International where Rupert Murdoch recently acquired a stake, gave up 6 to 805p. Cannon Street Investments were noteworthy for a rise of 12 at 380p along with Black Arrow with a gain of 30 at 240p. Leisure issues featured television and film services group Samuelson which soared around 60p to 182p following a share-exchange, with cash alternative of 180p per share, offer from Eagle Trust; the latter is also proposing a £20.8m rights issue. Publicity given to a broker's circular lifted Brent Walker 12 to 376p, while good preliminary results boosted Medminster 30 to 350p. Owners Abroad gained 8 to 133p on news that ILG Holdings had sold its 9.66 per cent stake.

US reports of record sales supported Jaguar, 6 better at 578p, while Motor component issues turned irregular. Lucas Industries shed 6 to 757p and Kwik-Fit improved 3½ to 220p. Bid speculation aroused by the Avis Europe agreed bid for C.D.Bramall continued among Distributors. Appleyard gained 10 to 528p and Caffyns picked up 16 at 574p. Lex Service benefited further from Chase Manhattan's positive rating of the group and touched 548p before ending unchanged on balance at 530p.

Rothmans were outstanding at 459p, up 20, in response to news of the acquisition by a subsidiary of a 60 per cent interest in Rotraco Exports, a trading company engaged principally in the import and distribution of certain tobacco products, wines and liquors.

Favourable weekend comment failed to draw potential buyers of either Learbs,slightly easier at 358½p, or James Finlay, down 5 at 120p.

Glaxo attracted the lion's share of traded option activity following the full-year figures.3,220 calls were recorded and 1,368 puts.TSB were also active with 4,804 calls traded, 2,038 in the October 140.s. Midland Bank registered 505 calls and 1,905 puts, while BP attracted 2,027 calls and 531 puts. The FTSE contract registered 1,384 and 2,188 puts.

Traditional Options

● First dealings Oct 5 ● Last dealings Oct 16 ● Last declarations Jan 7 ● For Settlement Jan 18

For rate indications see end of London Share Service

Stocks to attract money for the call included Eagle Trust, United Guarantee, Abaco, Monarch Resources, Owners Abroad, Sound Diffusion, Ferranti, Osseroy Estates, Norfolk Capital, Baron Estates, Hawtin, Dunton Bros., Fergebrook, Southend Stadium, Chemical Methods, Sintrom, Plessey, Storehouse, Common Bros., Wiseway and Unigate.

FINANCIAL TIMES STOCK INDICES

	Oct. 12	Oct. 9	Oct. 8	Oct. 7	Oct. 6	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.63	85.49	85.68	85.65	85.74	85.54	93.32 (28/5)	84.49 (8/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.24	92.20	91.88	91.98	91.88	89.31	99.12 (5/6)	91.23 (8/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ▼	1835.2	1858.2	1866.9	1853.5	1858.3	1273.4	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	483.3	449.5	445.8	450.4	444.6	322.2	497.5 (6/8)	288.2 (7/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.27	3.17	3.15	3.17	3.16	4.37				
Earnings Yld.%(full)	8.02	7.78	7.73	7.78	7.76	10.05				
P/E Ratio (net)(*)	15.24	15.72	15.82	15.72	15.78	12.20				
SEAQ Bargains (5 pm)	38,499	52,366	42,163	36,404	37,443	—				
Equity Turnover (£m)	—	1515.90	1812.88	1615.08	1831.44	508.37				
Equity Bargains	—	56,071	51,240	39,660	45,596	74,545				
Shares Traded (ml)	—	610.7	625.5	598.1	599.3	280.8				

S.E. ACTIVITY

Indices	Oct.9	Oct. 8
Gilt Edged Bargains	109.7	104.9
Equity Bargains	363.3	332.0
Equity Value	3814.0	3654.3
5-Day Average		
Gilt Edged Bargains	104.8	101.8
Equity Bargains	319.7	301.4
Equity Value	3401.2	3409.0

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1854.6	1848.0	1847.6	1841.9	1844.1	1844.5	1838.5	1838.6

Day's High 1854.6 Day's Low 1835.0. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil=15.03.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (142)

CANADIANS (1), BANKS (5), BREWERS (6), BUILDINGS (8), CHEMICALS (2), STORES (8), ELECTRICALS (6), ENGINEERING (5), FOODS (4), HOTELS (1), INDUSTRIALS (28), INSURANCE (3), LEISURE (7), MOTORS (3), PAPERS (4), PROPERTY (9), SHIPPING (5), SHOES (2), TEXTILES (3), TRUSTS (22), OILS (3), MINES (7).

NEW LOWS (23)

AMERICANS (6) Am. Medical, Chemical New York, CityFed Fin., Hasbro, Man. Hanover, Rockwell Intl., CANADIANS (8), Am. Lightwave, Bk. Montreal, Bk. Nova Scot., BCE, Can. Imp. Bank, Royal Bank Canada, BANKS (1), Cie B'cre., CHEMICALS (1), Novo Inds., STORES (1), Limited, ELECTRICALS (3), DCT Grp., Mitel, Rodime, FOODS (1), Dalepak Foods, INDUSTRIALS (1), Medical Res., TRUSTS (1), German Small Inv., OILS (1), Total-Cie Fr Pet., MINES (1), Independent Res.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	653	948	1,146

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

EQUITY GROUPS & SUB-SECTIONS	Monday October 12 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri Oct 9 Index No.	Thu Oct 8 Index No.	Wed Oct 7 Index No.	Year ago (approx) Index No.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon Oct 12	Day's change %	Fri Oct 9	xd adj. today	xd adj. 1987 to date
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Mon Oct 12	Fri Oct 9	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*423)	390	40	50	62	2	6	13
	420	15	31	46	4	20	27
	460	1	15	25	35	45	47
Brit. Airways (*227)	200	29	38	47	1	7	10
	220	11	25	34	4	14	22
	240	2	15	21	15	25	32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
LASMO (*350)	330	37	54	68	6	14	23
	360	16	37	50	17	27	34
	390	7	26	36	37	44	55
Plessey (*218)	200	24	33	39	2½	8	13
	220	11	22	28	12	17	25
	240	5	15	—	25	28	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or –	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or –
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

Indices

NEW YORK

[illegible]

TORONTO

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

LONDON – Most Active Stocks Monday, October 12, 1987

[illegible]

TOKYO – Most Active Stocks Monday, October 12, 1987

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
Exch.12pc 2013/17	£119²⁵⁄₃₂	+⅜₆
Alex. Gr	458	+10
Blen. Exhibs	925	+45
Brunning Gr	318	+13
Caffyns	574	+16
Centreway Tr.	129	+ 7
Dee Corpn.	227	+ 8
Harland Sim.	297	+25
M & G Gr.	434	+21
Ocean Trans.	386	+22
Owners Abr.	132	+ 8
Press Tools	540	+100
Rothmans B	459	+20
Sam.Gr.	192	+56½
Smith New Cr.	380	+12
Wood (S.W.)	183	+18

FALLS:		
Blanch.	143	−17
CommUnion	443	−10
Finlay (J.)	120	− 5
Glaxo	£15¼	−1¼
Grand Met	575	−12
Guinness	370	− 7
Wellcome	508	−22

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 49

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38½	22	AAR s	.50	1.5	21	104	34⅞	34¼	34¼	−1
32½	17½	AFG s	.16	.5	10	459	29⅞	28⅝	29⅝	+⅛
27	9	AGS s			21	370	23⅛	21	22¾	−⅝
10½	6¾	AMCA				1	9½	9½	9½	
9⅜	5⅛	AM Ind			64	711	7⅛	6⅞	7	−⅛
65½	50½	AMR			11	4818	53⅜	52½	52¾	
12¼	8½	ARX s			11	41	10⅜	10⅜	10⅜	
73½	34⅜	ASA	2a	3.1		347	63⅞	63⅛	63½	−½
22⅜	9¾	AVX			38	591	19½	18⅝	18⅞	−⅝
67	41¼	AbtLab	1	1.7	22	4220	58⅝	57	57¾	−1
28	23¼	Abitibi g				753	26	25½	25½	−⅜
16¾	9¾	AcmeC .40		2.7	15	108	14⅞	14½	14¾	
10½	6⅛	AcmeE .32b		3.6	66	1	9	9	9	
23⅞	19	AdaEx 3.30e		15.		162	21⅝	21¼	21½	
19½	10	AdmM s .24		1.9	10	12	13⅛	12⅞	12⅞	−⅛
35	13¼	AdvSys			22	1666	34½	32⅞	33⅛	−1¾
24⅞	13⅛	AMD				17283	20½	19	19¼	−2½
56¾	47	AMD pf	3	5.9		997	51	50	50⅞	−3⅛
11⅞	5¼	Adobe				17	8⅞	8¾	8¾	
21⅞	17	Adob pf 2.40		12.		2	20½	20⅜	20½	+⅛
15	10⅜	Advest .12a		1.1	8	95	11⅛	11	11	−¼
68¼	53	AetnLf 2.76		4.6	9	2348	60¾	60	60½	+⅛
83½	30⅛	AflPb s .32		.5	20	336	66⅝	64½	65⅝	−1½
26⅞	18⅝	Ahmans .88		4.4	7	2922	20¼	19⅞	20⅛	
5⅜	2⅞	Aileen				27	3¼	3⅛	3⅛	
53⅞	32⅝	AirPrd	1	2.0	22	506	49⅞	49	49⅝	+⅝
36	20	AirbFrt .60		2.4	11	243	25⅜	25	25⅜	+⅜
18½	7⅜	Airgas n			25	149	15¼	14⅞	15¼	+⅛

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

Continued on Page 47

WORLD STOCK MARKETS

AMERICA

Jittery investors continue selling on rate fears

WALL STREET

WITH MANY institutional investors staying on the sidelines, Wall Street stocks continued to fall yesterday in moderate trading, *writes Roderick Oram in New York.*

Bond and money markets were closed for the Columbus Day holiday but signs of continuing nervousness about higher interest rates came from futures markets and trading abroad. In London, the yield on the US Treasury's 8.75 per cent benchmark long bond broke above 10 per cent for the first time in two years and bond futures fell in Chicago.

Against this background stocks fell from the opening to leave the Dow Jones industrial average down 36 points in mid-afternoon. A rally of blue chips late in the session put the index briefly in the plus column before it closed off 10.77 points on the day at 2,471.44.

Broader market indices followed the same trend with the Standard & Poor's 500 index closing down 1.86 to 309.39 and the New York Stock Exchange composite index losing 1.12 to 173.52. NYSE volume was light at 142m with the number of issues declining outpaced those advancing by a ratio of three-to-one.

Despite the late-session uptick, the picture was mixed for the Dow industrials. General Motors fell $5⅜ to $73⅞, Merck lost $2⅝ to $197⅞, Exxon slipped $⅜ to $47⅞ and General Electric was off $⅝ to $58⅝. However American Express edged up $⅛ to $35⅝, AT&T rose $¼ to $35¼, Eastman Kodak added $2⅜ to $101⅜ and Du Pont gained $1⅞ to $112.

Short-term, traders see some conflicting influences on stocks. Some are relatively optimistic that the correction, amounting to 159 points or 6 per cent on the Dow Industrial last week, is near to its bottom and good third quarter results this week could spur renewed buying.

On the other hand the bond market remains mired in pessimism about further rises in interest rates and the dollar continues to slip. Bonds and currencies will have to weather some major economic news this week including the US's August trade deficit. The expected increase in the discount rate by the Federal Reserve might improve the mood.

Scepticism about the stock markets' outlook in the face of rising interest rates came yesterday from Shearson Lehman Brothers. Its investment policy committee reduced the equity component of its model portfolio to 50 per cent from 55 per cent and raised the cash part to 20 per cent from 15 per cent. Bonds and gold remained unchanged at 25 and 5 per cent respectively.

In contrast, Salomon Brothers' asset allocation committee recommended last week an increase in equities holdings.

The market was keenly interested in Salomon Inc. yesterday, the securities firm's parent. It added $⅝ to $34⅝ after it announced a wide ranging restructuring. The market's initial reaction was that the parent of Salomon Brothers, the largest firm on Wall Street, was trying to get to grips with its problems which have depressed profits and its stock prices.

To some extent many of Salomon's competitors face similar problems with high costs from rapid expansion and increasing competitive pressure on profit margins. Merrill Lynch fell $⅝ to $38⅝, Shearson Lehman lost $⅝ to $25⅝, Morgan Stanley was off $1 to $63⅝, First Boston gave up $⅝ to $43⅝.

Chemical Bank rose $⅝ to $36⅝. It announced it was cutting its London staff by 18 per cent, a move which is almost certain to be taken by Salomon as well. Other banks were mixed. Chase Manhattan slipped $⅝ to $37⅝, J. P. Morgan edged up $⅛ to $46, BankAmerica was unchanged at $11⅝ and Manufacturers Hanover shed $⅝ to $35⅝.

The market reacted poorly to some third-quarter results announced yesterday. NCR dropped $3⅝ to $75⅝ after the computer maker turned in net profits of $1.05 a share against 75 cents a year earlier.

Advanced Micro Devices fell $2⅝ to $19⅝ on heavy volume of more than 1.7m shares. The semiconductor maker reported a third quarter loss after a write-off which was larger than expected.

In the takeover arena, US Leasing International soared $14⅝ to $67⅝ after the leasing company agreed to be acquired by Ford Motor for $68 a share.

ASIA

Hesitation over economic data checks record run

TOKYO

CONCERN OVER precariously high prices and a wait-and-see mood before the release of US trade figures on Wednesday took share prices slightly lower in Tokyo yesterday after two days of record-breaking advances at the end of last week, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average fell 54.12 from last Friday to 26,284.65. Volume contracted to 662.33m shares from Friday's 1,503.65m and losses outnumbered advances by 483 to 399, with 163 issues unchanged.

Institutional investors retreated to the sidelines, awaiting this week's release of economic indicators, including Japan's wholesale prices in September, US trade figures for August and US wholesale prices in September.

Mitsubishi Heavy Industries (MHI) gained Y12 to a record Y725, topping its previous high of Y719 posted on Friday last week. The shares were actively traded as dealers of major securities houses and speculators showed considerable interest.

In the wake of MHI's advance, Nippon Steel also attracted interest and closed Y4 higher at Y445. The issue headed the most active list with 114.01m shares traded.

The combined trading volume of MHI and Nippon Steel accounted for about 30 per cent of the total volume.

However, high-technology stocks, notably heavy electricals, were depressed by small-lot selling triggered by the yen's renewed strength against the dollar.

Hitachi shed Y10 to Y1,550, Toshiba slipped Y5 to Y830, Fujitsu shed Y20 to Y1,520, NEC was down Y40 at Y2,530 and Matsushita Electric Industrial ended Y50 lower at Y2,710.

Construction and chemical issues fared poorly. Taisei Obbayashi, and Kajima lost Y10 each to Y1,090, Y1,070, and Y1,800, respectively, while Mitsui Toatsu Chemicals dipped Y7 to Y763 and Takeda Chemical dropped Y50 to Y3,380.

Nippon Zeon advanced Y80 to Y1,080 on rumours of developments in its anti-AIDS drug programme. Keisei Electric Railway, third busiest with 18.31m shares traded, rose Y19 to Y824 at one stage but dipped later to end Y5 lower at Y800.

More speculative issues were traded briskly as investors sought short-term capital gains.

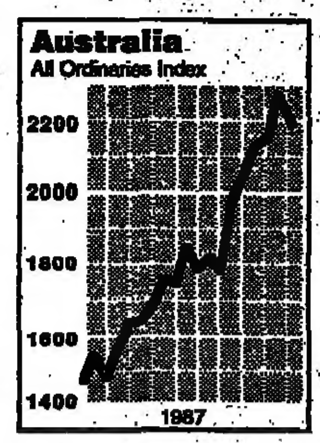
Wakachiku Construction, the ninth most active stock with 8.01m shares traded, climbed Y24 to Y889 on speculative buying.

The bond market saw a day of nervous trading. Bond prices opened weak on speculation that rising US interest rates might prompt Japanese and US monetary authorities to raise the official discount rates. Later, however, prices recouped some of their early losses, bolstered by dealers' stepped-up repurchases.

The yield on the benchmark 5.1 per cent Government bond, maturing in June 1996 rose to 6.240 per cent briefly but ended at 6.130 per cent, up slightly from 6.075 per cent at Friday's close.

SOUTH KOREAN share prices jumped to a record close in busy trading following the holiday close, Kyodo reports from Seoul. The composite stock price index closed up 6.94 at the new high of 515.25 in volume of 5.59m shares.

Of the 465 stocks traded, 90 rose by the highest permissible daily level and advances led declines by 289 to 129. Almost all sectors advanced, with Securities Houses, electronics and metals leading the market.



AUSTRALIA

BLUE CHIP industrial stocks suffered the worst losses as Sydney share prices resumed their downward trend after Friday's steadier tone.

The All Industrials index lost 56.3 to 3,258.3 while the broadest index, the All Ordinaries, shed 35.4 to 2,185.0.

Transport and building shares led the way down as the market was undermined by Wall Street's weakness, fears of higher interest rates and oscillations in stock index futures prices.

In the transport sector, Brambles dropped A$1 to A$10.50 and TNT fell 26 cents to A$6.38. Among building materials groups, Boral was down 40 cents at A$5.76 and Pioneer Concrete was off 10 cents at A$4.65.

Elsewhere, Rancoo plunged 85 cents to A$1.60 after jumping on Friday on optimism about the company's research into AIDS.

Mining and resources stocks were generally depressed.

HONG KONG

REBOUNDING from the depressing effects of the 1 per cent weekend rise in prime lending rates, Hong Kong share prices closed firmer on the back of speculative buying for Hongkong Land. The Hang Seng index closed up 17.75 at 3,900.17.

Hongkong Land was buoyed by takeover rumours, adding 90 cents to HK$10.50. Jardine Strategic Holdings, which owns a 26 per cent stake in Hongkong Land, added 80 cents to HK$15.50. Jardine Matheson, JSH's parent, picked up 50 cents to HK$23.

Other properties, though were easier. Cheung Kong dropped 10 cents to HK$13 and Hang Lung fell 5 cents to HK$8.95. New World development was 30 cents off at HK$14.90.

Conic Investment, which says it plans a corporate reorganisation, asked to be suspended. It closed at HK$1.24 on Friday. Paul Y Construction was also suspended pending an announcement. It rose 22.5 cents to HK$4.25 in brief trading before the suspension.

SINGAPORE

PROFITEERS took the edge off early gains in a nervous session to leave Singapore share prices generally lower in modest trade. The Straits Times industrial index closed down 8.53 at 1,445.77 as turnover fell to 17.8m shares from Friday's 22.8m.

Many investors were sidelined prior to the imminent announcement of Singapore's third quarter GNP figures.

Malaysian Mining led the actives on trade of 1.7m shares to firm 8 cents to S$3.16 against the market. Recently listed Singmarine Industries, meanwhile, fell 7 cents to S$2.10 in busy trade.

EUROPE

West German tax worries continue to reverberate

RECENT FALLS on Wall Street and the lower trend of the dollar continued to haunt markets in Europe yesterday, sending prices broadly lower. Swiss shares felt the repercussions of West Germany's plans to tax investments although the German market regained some poise after its steep decline on Friday. The fall-out from New York affected Scandinavian bourses, checking their recent advances.

Frankfurt remained unsettled by the planned 10 per cent withholding tax on savings and investments and prices finished mixed. Some blue chips, however, made good recoveries from Friday's steep losses as investors took the view that the reaction had been overdone.

The midsession Commerzbank index lost 24.2 to 1,912.4, but the Borsen-Zeitung 30-share index edged up during the day to end 0.35 higher at the close at 397.97.

Opinion on the tax was divided, with some taking the view that shares might become more attractive because the stock market would not be directly affected, while others were worried that earnings would suffer from an expected rise in interest rates.

Among the strongest recoveries were cars, with Porsche climbing DM40 to DM940 and Daimler up DM28 to DM1,024.

In mixed chemicals, Hoechst was DM3.50 stronger at DM322.90 and BASF lost 30 pfg to DM332.40. Retailers did well, as Karstadt put on DM5 to DM594 and Horten put on 80 pfg to DM241.

But the financial sector fared poorly amid fears that funds may be withdrawn from savings accounts to avoid the new tax. Deutsche Bank lost DM3.50 to DM661.50 and Commerzbank DM4.50 to DM286, while insurer Allianz dropped DM62 to DM1,928.

The bond market picked up a little but the mood remained uncertain as investors awaited further details of the proposed tax and its implications. The Bundesbank bought a modest DM16.3m worth of paper after buying a huge DM291.4m on Friday. In London, dealers in D-Mark bonds reported considerable confusion as a result of the tax announcement.

Zurich lost ground as West Germany's plans to introduce withholding tax exerted psychological pressure on the market. A lower Wall Street and weaker dollar fuelled a sell-off initiated by foreign investors. The Credit Suisse index lost 9.0 to 628.3.

Banks were broadly lower. Union Bank down SFr80 at SFr4,920, Swiss Bank dropped SFr9 to SFr514 while Crédit Suisse fell SFr100 to SFr3,400.

Industrials also lost ground. Brown, Boveri was down SFr95 to SFr3,075 while among chemicals Ciba-Geigy and Sandoz were down SFr50 and SFr100 at SFr3,950 and SFr15,400 respectively.

In transports Swissair dipped SFr10 to SFr1,375.

Amsterdam reacted to pressure from the soft dollar and a lower Wall Street. Small losses at the opening widened throughout the session to leave stocks, particularly internationals, well down on the day.

The ANP-CBS index eased 1.8 to 303.0 but did not reflect the late sell-off.

Among blue chips, Akzo fell Fl 3.20 to Fl 169.10, KLM dropped Fl 1.30 to Fl 50, Philips lost 70 cents to Fl 150.90, Royal Dutch was down Fl 2.90 to Fl 257.80 and Unilever declined Fl 1.90 to Fl 133.80.

Paris declined across a broad front as continuing weakness on Wall Street and in domestic bonds prompted a sell-off. The CAC index lost 7.9 to 395.0 in the wake of steep falls in Treasury bond futures.

Weak finance stocks included a FFr26 retreat by Opfi-Paribas to an annual low of FFr352.

Electronics stocks were broadly lower on fears that higher rates may slow economic activity. Crouzet slid FFr17 to a low of FFr181.50 while Géophysique set the tone for oil issues with a FFr37 decline to FFr492.

Brussels fell across the board as a long-simmering language dispute threatened the survival of the coalition government. Trading was thin. The Brussels stock index dropped 62.62 to 4,994.40, falling below 5,000 for the first time since early July.

Industrials and holding companies were hardest hit. Copèba tumbled BFr400 to BFr5,750, Gevaert slid BFr390 to BFr7,910, Bekaert dropped BFr110 to BFr10,700 and Petrofina was BFr100 lower at BFr12,725.

Stockholm fell sharply amid nervousness over Wall Street's losses and rising domestic money market rates. The J&P index, which hit record highs last week dropped 43.9 to 3,208.5 on profit-taking. Institutional investors were thin on the ground.

Oslo turned mixed amid uncertainty on Wall Street and over the immediate direction of interest rates. The all-share index shed 3.59 to 434.23 on moderate turnover.

Banks lost ground as Bergen Bank dropped NKr5.5 to NKr241.5 and Christiania Bank lost NKr5 to NKr253.

Among industrials, Hafslund fell NKr10 to NKr697.5 and Norsk Data lost NKr2 to NKr240.

Milan was little changed after a day of mixed but fairly active trading. The MIB index was unchanged at 914.

Banks posted moderate gains on news that talks had started on the privatisation of merchant bank Mediobanca. Credito Italiano added L126 to L1,990, Banca Commerciale rose L180 to L3,250, Banco Di Roma advanced L350 to L10,650 while Mediobanca gained L2,900 to L269,400.

Madrid was closed on Spain's national day.

Lex, Page 26. Withholding tax, Page 31

LONDON

DISAPPOINTING results from Glaxo, an institutional favourite, knocked its share price and a London equity market already shaken by last week's slide in New York. Prices were also hurt by news of staff lay-offs at the UK arm of Chemical Bank.

The FT-SE 100 index closed near the day's lows, off 28.3 at 2,338.5 and the FT Ordinary index fell 23.0 to 1,835.2.

Gilts, though, advanced on the pound's firmness, notably against the D-Mark. Details Page 46

SOUTH AFRICA

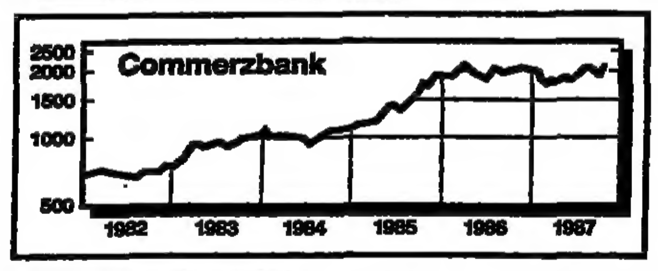
THE STEADY bullion price left Johannesburg gold shares narrowly mixed in quiet trading.

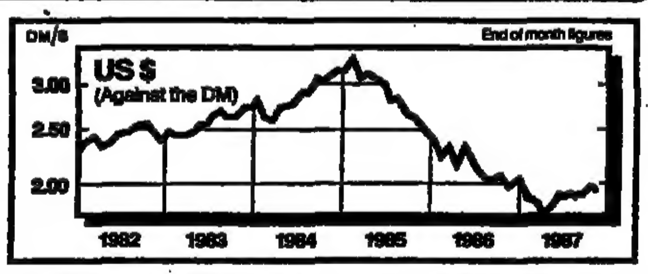
Rising golds included Vaal Reefs and Randfontein, which strengthened R2 each to R435 and R447 in turn, while Driefontein was R1 firmer at R94.50. Harties was among the losers with a 25-cent dip to R33.75.

Platinums followed the mixed trend with Rustenburg falling 25 cents to R80.50, but Lydenburg adding 50 cents to R39. De Beers was steady at Friday's year's high close of R59.

Among mining financials, Gold Fields of South Africa rose R4 to 79.50, a high for the year. Anglo American, though, dipped 25 cents to R93. In other mining issues, Kesly gave up 10 cents to R7.50. Industrials were mixed.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Oct 12	Prev	Year ago
NEW YORK			
DJ Industrials	2,471.44	2,482.21	1,784.45
DJ Transport	1,030.43	1,036.88	818 13
DJ Utilities	195.41	196.06	199.27
S&P Comp.		311.07	234.41
LONDON FT			
Ord	1,835.20	1,858.20	1,275.40
SE 100	2,338.50	2,366.50	1,592.3
A All-share	1,205.17	1,216.26	794.94
A 500	1,313 42	1,326.49	870.58
Gold mines	452.30	449.50	322.20
A Long gilt	9.97	9.99	10.29
World Act. Ind (Oct 7)	136.69	135.83	97.14
TOKYO			
Nikkei	26,284.65	26,338.77	17,504.40
Tokyo SE	2,156.17	2,158.25	1,469.34
AUSTRALIA			
All Ord.	2,185.0	2,220 4	1,229 4
Metals & Mins.	1,345.8	1,634.8	716.0
AUSTRIA			
Credit Aktien	226.95	228.69	239.69
BELGIAN SE			
SE	4,994.40	5,057.02	3,872.00
CANADA			
Toronto			
Met.& Mins.	(c)	3,360.40	2,163.00
Composite	(c)	3,781.30	3,024.20
Montreal			
Portfolio	(c)	1,861.86	1,520.80
DENMARK SE			
SE	—	—	191.68
FRANCE			
CAC Gen	395.00	402.90	397.2
Ind. Tendance	102.10	104.30	94 05
WEST GERMANY			
FAZ-Aktien	624.43	631.10	674.51
Commerzbank	1,912.40	1,936.60	2,019.3
HONG KONG Hang Seng	3,900.17	3,882.42	2,162.76
ITALY Banca Comm.	659.76	659.77	737.49
NETHERLANDS ANP CBS			
Gen	303.00	(c)	280.2
Ind	255.20	(c)	280.0
NORWAY Oslo SE	(c)	579.44	370.16
SINGAPORE Straits Times	577.41	1,454.30	821.79
SOUTH AFRICA JSE			
Golds	–	2,321.0	2,020.0
Industrials	–	2,251.0	1,384.0
SPAIN Madrid SE	(–)	323.88	200.38
SWEDEN J & P	3,208.51	3,250 4	2,415.95
SWITZERLAND Swiss Bank Ind	709.20	717.40	557.10

COMMODITIES (London)

	Oct 12	Prev
Silver (spot fixing)	474.05p	473.8p
Copper (cash)	£2,202.50	£1,185.50
Coffee (Jan)	£1,392.00	£1,374 00
Oil (Brent Blend)	$18.70	$18.85

GOLD ($/oz)

	Oct 12	Prev
London	$462.00	$461.25
Zürich	$462.00	$461.00
Paris (fixing)	$461.76	$462.86
Luxembourg	$461.75	$462.00
New York (Dec)	$469.70	$466.90

CURRENCIES (London)

	US DOLLAR Oct 12	US DOLLAR Previous	STERLING Oct 12	STERLING Previous
$	–	–	1.6535	1.6510
DM	1.8130	1.8135	3.00	2.995
Yen	143.25	143.80	236.75	237.5
FFr	6.0425	6.0425	9.9925	9.975
SFr	1.5025	1.5080	2.485	2.49
Fl	2.0400	2.0410	3.3725	3.37
Lira	1,308	1,310.5	2,162.75	2,164
BFr	37.70	37.75	62.35	62.35
C$	1.3040	1.3065	2.1560	2.1550

INTEREST RATES

	Oct 12	Prev
Euro-currencies (3-month offered rate)		
£	10⅛	10⅛
SFr	4⅝	3⅞
DM	4⅞	4⅞
FFr	8⅜	8⅜
FT London Interbank fixing (offered rate)		
3-month US$	8⅞	8⅞
6-month US$	9⅛	9
US Fed Funds	7⅝*	7⅝
US 3-month CDs	8.35*	8.725
US 3-month T-bills	6.745*	6.90

FINANCIAL FUTURES

Oct 12	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	79–17	80–08	79–14	80–09
US Treasury Bills (IMM) $1m points of 100%				
Dec	92.30	92.35	92.29	92.33
Certificates of Deposit (IMM) $1m points of 100%				
Dec	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	90.82	90.87	90.82	90.84
20-year Notional Gilt £50,000 32nds of 100%				
Dec	114–04	114–12	113–31	114–01

US BONDS

Treasury

	October 12 Price	October 12 Yield	Prev Price	Prev Yield
7⅞ 1989	(c)	(c)	99 ⅛	8.902
7 1994	(c)	(c)	92¹¹⁄₃₂	9.725
8⅝ 1997	(c)	(c)	93⅛	9.848
8⅞ 2017	(c)	(c)	90⅛	9.859

Source: Harris Trust Savings Bank

Treasury Index

October 12

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	October 12 Price	October 12 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	(c)	(c)	96.75	7.27
SCBT South Central 10⅞ Jan 1993	(c)	(c)	101.25	10.56
Phibro Sal 8 April 1996	(c)	(c)	86.06	10.52
TRW 8⅞ March 1996	(c)	(c)	91.31	10.32
Arco 9⅞ March 2016	(c)	(c)	93.0	10.65
General Motors 8⅝ April 2016	(c)	(c)	77.16	10.70
Citicorp 9⅝ March 2016	(c)	(c)	84.42	11.20

Source: Salomon Brothers

* Latest available figures